

## Trade Fears Jolt World Financial Markets

### Dollar Slides To New Low Against Yen

By Ferdinand Protzman

FRANKFURT — The U.S. dollar plunged to another postwar low against the Japanese yen on Monday as fears of a full-scale trade war between the United States and Japan unleashed a torrent of panic selling by Japanese investors.

The yen, which pushed the dollar below 145 yen in Asia before it recovered slightly, moved aside an intervention by the Bank of Japan estimated at \$2 billion.

The dollar also fell against other major currencies later in New York and Europe, though less spectacularly than in Tokyo.

In Tokyo, the dollar closed at 145.00 yen, down from 144.20 yen on Friday. The record low when it touched 144.70 yen.

It rallied later in London, to 146.30, but still ended below Friday's close of 147.70.

In New York it finished at 146.275 yen, down from 147.20 on Friday.

Also in New York, the dollar fell below important support points at 1.39 Deutsche marks and 6.0 French francs. It closed at 1.395 DM, compared with 1.4165 DM on Friday, at 5.9972 French francs against 6.0435, and at 1.5000 Swiss francs, versus 1.5135. The British pound slipped marginally to \$1.6070 from \$1.6085.

The sudden sell-off was triggered, dealers said, by the Reagan administration's announcement Friday that it planned to impose tariffs of as much as 100 percent on up to \$300 million worth of Japanese electronics products, possibly including television sets, personal computers and stereo equipment.

The proposed sanctions would go into effect April 17. The United States says they are intended to force Japan to live up to an agreement reached last July to open its home market to American-made computer chips and to stop "dumping" chips below cost in foreign markets to gain market dominance.

Fear that the sanctions might be the opening shot in an all-out trade war caused Japanese speculators to



A currency trader in Tokyo on Monday, where the dollar fell below 145 yen to a new low before recovering slightly.

### U.S. Threats on Trade May Alienate Japanese

By Susan Chira

NEW YORK — The Reagan administration's moves toward trade retaliation may spur a Japanese sense of frustration and resentment toward the United States that is already on the rise in some circles here.

The discussion over trade is generally more temperate in Tokyo than in Washington, and some Japanese criticize their country's bureaucratic procedures for slowing the flow of imports. But a growing number of government and business leaders believe that the United States is using Japan as a scapegoat for problems of its own making.

With the rising exchange rate of the yen against the dollar pushing corporate profits down and unemployment up in Japan, a small but increasing portion of the Japanese

public feels hurt by what it sees as an unappreciative and unjust United States. Sankei Shimbun, a daily newspaper, in a recent editorial characterized Washington's trade position as "self-righteous and impatient."

The Japanese appear unanimous in believing that the solutions being suggested in Washington will not erase the trade deficit. Many argue that Japanese import barriers, while regrettable, are not the main reason for Japan's huge surplus in merchandise trade with the United States.

The real causes, they say, are uncompetitive U.S. products and the eagerness of American consumers to buy rather than save, as the Japanese do.

Tokyo officials generally continue to show restraint as they defend their nation's policies. But there are signs that the Japanese are becoming increasingly resentful of what they consider unfair U.S. pressure at a time when they are already suffering from the yen's strength.

Last Friday, President Ronald Reagan announced that the United States would impose \$300 million in new tariffs on Japanese-made consumer goods because Japan had been selling low-cost semiconductors in the United States in violation of an agreement.

[Asked to comment Monday on statements by U.S. officials that it may be possible for Japan to avoid the sanctions ordered Friday, Mr. Reagan's spokesman, Martin Fitzwater, said: "While we're hopeful of that happening, it probably is not likely." Reuters reported from Washington.]

The results of an annual survey, recently released by the office of Prime Minister Yasuhiro Nakasone, showed a sharp drop in the number of Japanese who said they felt close to the United States — 67.5 percent, the lowest level since the survey began in 1978 and down from 75.6 percent last year.

Masahiko Ishizuka, editor of the Japan Economic Journal, a weekly published in English, recently wrote that the main cause of the U.S. deficit was excessive American personal consumption.

"This means," he wrote, "that Americans must accept an absolute decline in their standard of living in order to relieve their nation's economic woes, for which they mistakenly blame the Japanese and others."

Kazuo Nukazawa, director of the international economic department of the Keidanren, Japan's leading business organization, says there is a resentment in Japan against the supposedly conde-

### Stocks Fall In N.Y., Tokyo And London

By John Meehan

NEW YORK — Concern about the dollar and the increasingly strident exchange between Washington and Tokyo over trade drove prices in U.S. stock and credit markets sharply lower in early trading Monday. Prices recovered somewhat by the close.

On the New York Stock Exchange, the Dow Jones average of 30 industrial stocks plunged 79 points in the first hour of trading, extending Friday's 36.79 point drop. In the first 40 minutes of trading, 52 million shares had changed hands.

At the close, the Dow average had climbed back to 2,278.41, down 57.39 points from Friday's close.

Major stock markets elsewhere were sharply down, as well. In London, the Financial Times-Stock Exchange index of 100 leading shares fell by its largest margin in points terms in a single session, dropping 46.1 to close at 2,002.5. In Tokyo, the Nikkei 225-share market index had its second-largest fall, diving 550.45 to end at 21,675.04.

Traders cited concern over U.S.-Japan trade as a key factor in the declines in London and Tokyo.

In U.S. credit markets, meanwhile, prices of U.S. government securities fell to their lowest levels of the year amid mounting concern about potential damage from the dollar's sharp slide against the yen, dealers said.

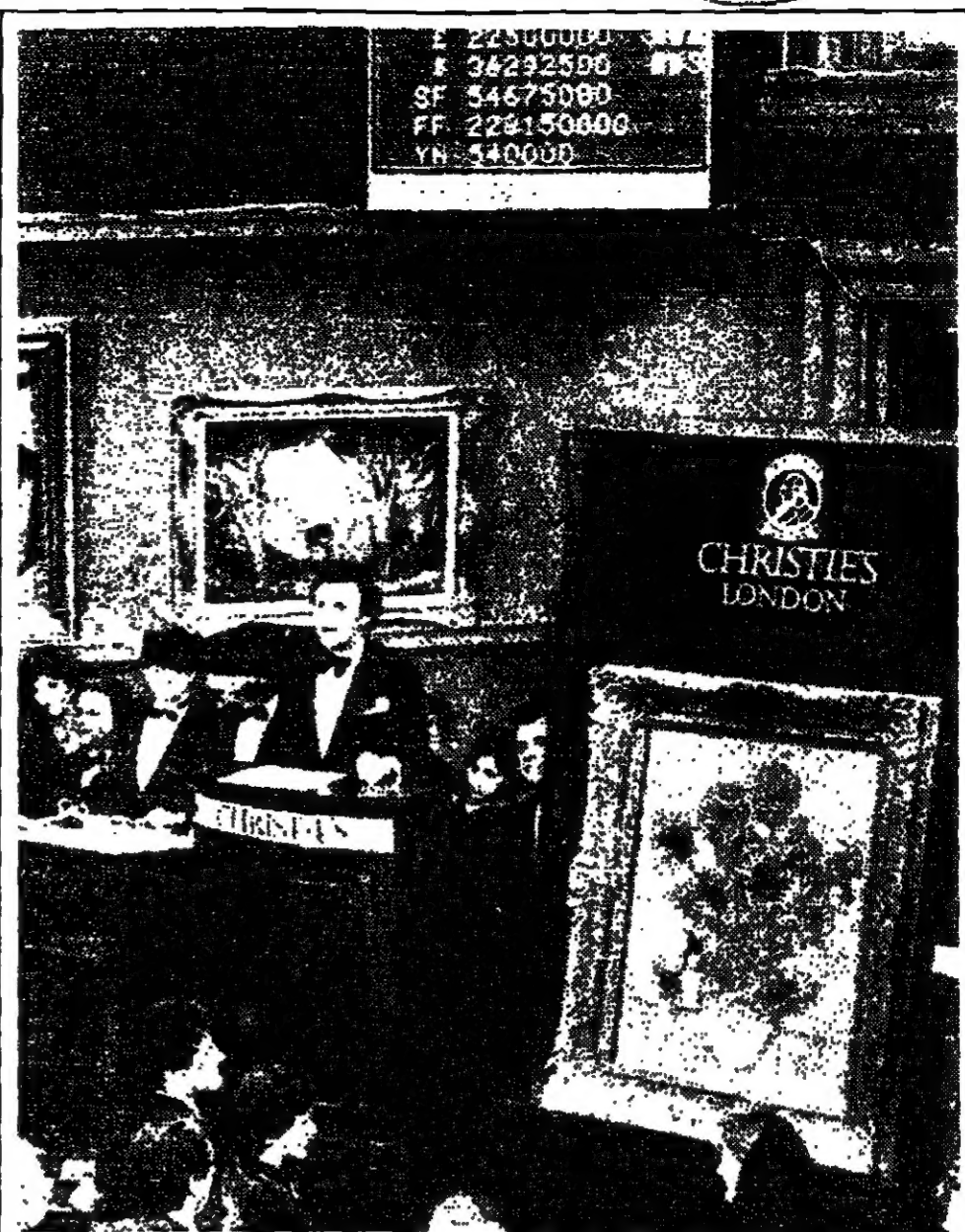
"All the selling is dollar-related. It's horrific," one trader told Reuters. The key 7½ percent, 30-year Treasury bond fell to a 1987 U.S. low of 96 4/32 at the close, well below last Friday's closing price of 98 5/32.

On the NYSE, the market seemed to have second thoughts as the day wore on about the panicky sell-off that characterized the opening. Analysts blamed the steep drop on the lingering worry that the U.S. Federal Reserve would be forced to increase interest rates if central banks could not arrest the dollar's drop on foreign exchange markets.

Moreover, fear that the dispute between the United States and Japan could degenerate into a trade war had many observers speculating about possible retaliatory measures that Tokyo could initiate against American companies.

"There was a subtle shift from cautious optimism to cautious pessimism," said Hugh Johnson, chief strategist for First Albany Corp., in characterizing the market's mood. Despite the drop, analysts were quick to play down the notion that Monday's activity could trigger a

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### Van Gogh Painting Brings an All-Time Record

An auctioneer at Christie's of London signaled the sale Monday to an anonymous bidder of Van Gogh's "Sunflowers" for \$39.92 million. The price, which included a 10 percent premium to the auction house above the price posted in the background, was a record for any work of art. Page 2.

### Islamabad Says Its Jets Shot Down Afghan Warplane Inside Pakistan

The Associated Press

ISLAMABAD, Pakistan — Pakistani jet fighters shot down an intruding Afghan warplane Monday over an area where more than 150 people have been killed in Afghan air raids, officials said.

A Defense Ministry spokesman said Pakistani Air Force fighters hit the plane about 10 miles (16 kilometers) inside Pakistan near the border town of Parachinar. He said the Afghan plane went down in the mountains north of the town.

Military patrols were searching for the wreckage, but it was not clear if the pilot had guided it back across the border into Afghanistan before it crashed, the spokesman said.

Border officials said the Afghan plane was shot down by two American-made F-16 fighters. The Pakistani jets hit the Afghan plane with a missile, the officials said.

The ministry spokesman said the type of plane shot down had not been identified. All Afghan Air Force planes are of Soviet origin.

A Foreign Ministry spokesman said in Islamabad last week that at least 152 people have been killed in Afghan air attacks along the border since March 23.

Pakistan aids and shelters Moslem guerrillas fighting the Afghan government, which is supported by an estimated 115,000 Soviet troops. An estimated three million Afghan

refugees live in Pakistan, most of them in camps along the border.

Pakistani F-16s shot down an Afghan warplane in a dogfight over Parachinar in May 1986. That was the only other time Pakistan claimed to have shot down an Afghan warplane.

Pakistan warned the Afghan government last week that intruding warplanes would be shot down. The Defense Ministry said Monday: "The government of Pakistan has been warning the Kabul regime to desist from violating Pakistan air space. It was again made clear to them after their wanton attack on innocent civilians March 23 that any aircraft violating Pakistan air space will be shot down."

### Paris May Expel Aide Of Soviet

#### Attaché Expected To Be Implicated In Ariane Spying

By Julian Nundy

PARIS — France plans to expel at least one Soviet diplomat after the discovery of a spy ring that sought information on European space technology, diplomatic sources said Monday.

French news media reports said that the diplomat most likely to be asked to leave the country is Valeri Konorev, an assistant air attaché at the Soviet Embassy in Paris.

The alleged spy ring, which was broken up two weeks ago, includes two East European women, a Romanian and a Soviet citizen. The French Foreign Ministry spokesman declined all comment on the matter "for the moment," but diplomatic sources said that a formal expulsion order was imminent.

The spy ring, operating out of the city of Rouen, about 90 miles (140 kilometers) northwest of Paris, was principally interested in a factory that made some of the motors for Ariane, a French rocket operated by the European Space Agency, according to the Interior Ministry.

The motors, fueled by a mixture of liquid hydrogen and liquid oxygen, are manufactured by the Société Européenne de Propulsion near the Seine valley town of Vernon, near Rouen.

They power the existing Ariane-4, which has put a series of communications satellites into orbit. The Vernon plant also is building a motor to power the Ariane-5, which is to launch the European space shuttle Hermes on its first flight in 1995.

Some reports said Monday that Mr. Konorev was one of two diplomats likely to be expelled. Mr. Konorev was believed to have been responsible for operating the network from the embassy.

The reports said that seven Soviet diplomats had been connected with the Rouen group. There was no official confirmation that others were involved nor any indication of their identity or rank.

The lawyer for Pierre Verdier, the alleged French leader of the ring, said last week that the Rouen woman, Antonietta Manole, 41, had betrayed the ring last year out of rivalry with the Soviet woman, Lyudmila Varygin, 31.

The lawyer said that Miss Manole had written an anonymous letter of denunciation to the office of Prime Minister Jacques Chirac after

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### Soviet May Let Jews Go To Israel Via Romania

By Bill Keller

NEW YORK — The Soviet Union has agreed that future Jewish emigrants will be sent to Israel by way of Romania, making it more difficult for them to settle in Europe or the United States, according to an American rabbi who said he had negotiated the new procedure.

Jews who are allowed to leave the Soviet Union usually travel through Vienna, where most receive American entry visas.

Rabbi Arthur Schneier, who said he negotiated the new transit procedure with Communist Party leaders in Moscow and Bucharest last month, said in a telephone interview from New York that the move could result in a further increase in exit visas granted to Jews.

"Soviet officials say that one reason for having a restrictive policy on emigration is that the applica-

tions are not genuine," said the rabbi, who is president of the Freedom of Conscience Foundation, a New York-based coalition of business and religious figures that works on religious freedom issues. "People apply to go to Israel, and then they don't."

But he said Soviet officials had made no specific commitment to increase the number of exit visas as part of the new procedure.

The Soviet Union has not commented on any change in the procedures.

In Jerusalem, a Foreign Ministry official said he had no knowledge of Israel's having been informed by the Soviet Union about any such arrangement.

In the last few months, Israel has been in almost weekly contact with Soviet representatives in the United States and Europe regarding Soviet Jewish emigration. Representatives have also discussed a possible reopening of Israeli-Soviet diplomatic relations, severed in 1967 by Moscow, and possible Soviet participation in a Middle East peace conference.

Israeli officials have pressed the United States to change its immigration policies to deny Soviet Jews refugee status, in hopes that more émigrés would settle in Israel.

In recent years, an estimated 80 percent of the Soviet Jews who have left with Israeli visas have claimed refugee status in Vienna and moved to the United States or Western Europe.

Under the new plan, Mr. Schneier said, Jews who are granted exit visas to move to Israel would be transported to Romania and then flown to Tel Aviv without an opportunity to claim U.S. refugee status. He said that the details remained to be worked out, but would include provisions to prevent emigrants from obtaining visas to change their destination.

Mr. Schneier, whose organization has dealt with Soviet officials for more than 20 years, said he had received assurances from Alek-

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### Klosk

#### Murdoch to Buy Harper & Row

Rupert Murdoch, the communications magnate, has agreed to acquire Harper & Row Publishers Inc. for about \$284 million. The 170-year-old book company has published such authors as Aldous Huxley, Thornton Wilder, John Cheever and E.B. White.

The \$65-a-share bid represented a substantial premium over two other offers, the highest of which was \$50 a share. Harper executives said in New York that the board would recommend the offer to shareholders.

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### NASA's Explanation

CAPE CANAVERAL, Florida (Reuters) — There are strong indications that lightning knocked an Atlas-Centaur rocket out of control after it was launched on Thursday, forcing flight control to destroy it, John Bruce, a NASA investigator, said Monday.



Production of Citroën's "deux chevaux," the car is symbolic of France as a pack of Gauloise cigarettes, is to be shifted to Portugal. Page 17.

### GENERAL NEWS

■ The U.S. Air Force is studying the possibility of building portable atomic reactors for use during wartime. Page 3.

■ North Korea has agreed to a South Korean proposal for a meeting. Page 2.

■ Foes of the Pinochet regime hope for support from Pope John Paul II during his Latin America trip. Page 3.

■ A New Caledonian has warned France of the dangers of a referendum. Page 2.

■ ARTS/LEISURE  
■ Le Corbusier's centennial exhibition. Page 5.

## Look Who's Brushing Up on Shakespeare — and in Stratford!

By Francis X. Clines

BRADFORD, England — "Brush up your Shakespeare," two singing gangsters advised the other night on center stage in this careworn northern city. "Just declaim a few lines from O-the-lad and they'll think you're a beluga fella."

The two actors were exemplifying something of a local new business ethic as well as demonstrating again the show-stopping power of Cole Porter's lyrical tribute to Shakespeare, his collaborator of sorts, in a long-awaited revival of "Kiss Me Kate."

They opened in Stratford, then on to gray Bradford, one of the depressed northern cities lately vying for economic revival on the strength of the nation's permanent resource in Bardic wit and theatrical art.

"With the wife of the British Embassy a crack out of Troilus and Cressida," the trouper sang, and the audience happily tripped with them across an evening of peerless double entendre and theatrical romance from Shakespeare and Porter.

The music and lyrics resounded locally

with the message that this once-booming mill town was getting back on the map as a featured stop for the sold-out provincial tour of "Kate" on her way down to the Old Vic in London.

This is not merely another opening, another show. For the Royal Shakespeare Company, the nation's reigning classic ensemble, is unveiling its long-awaited debut at putting fresh life into American musical classics, and Porter's 39-year-old "Kate" is first choice. This represents a considerable gamble of the RSC's trans-Atlantic stature, strengthened lately in exporting such home-grown musical hits as "Les Misérables" to Broadway.

And this West Yorkshire city, about 175 miles (about 280 kilometers) north of London, has begun redeeming its \$13 million risk in refurbishing a wheezing old Edwardian theater, the Alhambra, into a state-of-the-art house that would be the envy of the West End theater belt in London. There have been a score of similar theater renewal programs in the depressed provinces as England tries to deal with the loss of hard

industry in sundry ways, including the esthetic.

"Even 'King Lear' worked well here," said Peter Tod, the Alhambra administrator, still surprised at the appetite for straight Shakespeare as well, as he sipped

That couplet summarizes the plot and breezy allure of Porter's "Kate," a play within a play about the tempestuous backstage romancing and hackneyed on-stage emoting of a band of touring actors in a 1948 tryout in Baltimore of "The Taming

wine at one of the theater's handsome snug bars and celebrated Bradford's fortune in winning 30 performances of the RSC's musical tour.

"If her virtue at first she defends well," sang the show-stopping gangsters, "just remind her that all's well that ends well."

of the Shrew." The musical was suggested to a stage manager, Arnold Saint Subber, who one day witnessed some backstage bickering between Alfred Lunt and Lynn Fontanne as they were doing Shakespeare's "Shrew."

"Oh, I've been there," said Tim Flavin, a few critics could not resist noting that even the RSC would do well to brush up its Shakespeare, but most agreed in savoring this production of Porter retaced.

Audience has it easier than actor, for the love-rooted plot of "Kate" has a happier ending, with the two Shakespearean leads repairing their own failed marriage backstage by the double final curtain.

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# N.Y. Goes Back to Basics: Beef and Arteriosclerosis

By William E. Geist  
New York Times Service

NEW YORK — There are issues that continue to divide Americans, and fish for dinner is one of them.

"Fish taste like water," said Dave Bannister, slicing into a medium-rare, 16-ounce (480-gram) sirloin steak, well-marbled. He said it is amazing to him what people do to try to make fish taste good: blackening them, squirting lemon juice on them and drowning them in sauces.

"You could do the same thing to a wash cloth," he said, "and avoid bones."

They used to have a fish on the menu at this restaurant, One Fifth, in Greenwich Village, that was smoked, grilled and peppered ("Grilled, Smoked and Peppered Mackerel with Arugula and Endive"). They did everything to this fish but pistol-whip it and dress it in Bermuda shorts.

The mackerel has been unceremoniously dumped from the menu, along with the "Poached Salmon Marinated in Mint with Pinto Beans," the "Gray Sole with Salmon Mousse, Lemon Sauce and Papaya Chutney," and the "Grilled Lotte with Chianti Classico, Olive Oil and Oregano."

These items have been replaced by the sirloin, the filet mignon and the prime rib at the top of the menu. They are served with baked potatoes topped with butter, sour cream, chives and bacon bits — without apology.

"You can order a side of spinach (sautéed

in butter) if it helps with the guilt," said the owner, Arnie Rosen.

"The restaurant went from doing 300 tables a week to 1,000 after the menu change," said Mr. Rosen. "People finally got tired of fish, fish and more fish, even these fashionable people in the Village. A lot of them

"I don't like the change," said Brenda Spellman, a customer at One Fifth who ordered broiled red snapper. "They might as well just go ahead and list arteriosclerosis as a menu item."

"Or maybe a surgeon general's warning on the menu," said her dinner companion, Shelly

Some diners said it got to the point where not only were they unable to read French menus in New York, but the English ones as well.

"Look at this," said Benjamin Shaw, pointing to an item on the old One Fifth menu: "Baked Goat Cheese with Raddichio, Haricots Verts and Hazelnut Vinaigrette." "I'm not quite sure what that really is."

"Fish is something you eat on Friday for penance," offered Ralph Grady. "You can salivate just thinking about a steak," said Diane Rechtenwald. "This rarely happens when you think of poached blowfish" — called "sea robin" or "sea squab" in trendy restaurants.

Mr. Rosen, who has been in the restaurant business for years and who teaches restaurant management, predicts a trend toward more beef-eating, noting that other restaurants in the city have switched from fish houses to steak houses.

"It's occurring, babe," said Gil Schwartz, explaining that he believes eating beef is becoming trendy, and that the phrase "It's occurring" will soon replace "It's happening" in American slang.

"If you give up everything you love in life," said Mr. Rosen, "and go around eating poached blowfish, why live?"

"Hear! Hear!" said Mr. Bannister, at once signaling his agreement with Mr. Rosen and heralding the arrival of his dessert: ice cream stuffed with M&Ms.

**'You can salivate just thinking about a steak. This rarely happens when you think of poached blowfish.'**

— Diane Rechtenwald, restaurant patron

admitted they never liked fish, that they were going along with the crowd.

"They were tired of no flavor," he said. One customer said he was putting steak sauce on the fish his wife serves at home.

"They were tired of going to restaurants and paying \$125 for two people and walking away hungry," he said, referring to the attractive, but notoriously small portions served at many nouvelle cuisine restaurants.

"Food is to eat," William Denton, chimed in, "not to frame and hang on the wall."

"I think people were tired of the pretentiousness that seemed to go hand-in-hand with this nouveau food," Mr. Rosen said. "If you didn't like something at a French restaurant, you thought it must be your fault. You grew up with steaks. You know if they're good or not."

Not everyone agrees with this beef backlash.

ley Petersen, who further suggested meat-eaters sections in restaurants. "All this burnt flesh is disgusting. And barbaric. And stupid. It's bad for your health."

There has been a downturn in beef consumption during the past decade, because of warnings that the relatively high fat and cholesterol found in beef contributes to heart disease and cancer.

The Beef Industry Council recently counterattacked, coming to New York to announce the start of a \$30 million advertising campaign, "Real Food for Real People," using Cybill Shepherd and James Garner as their spokesmen.

"Sometimes I wonder if people have a primal instinctive craving for hamburgers," Miss Shepherd purrs in the ads. "Something hot and juicy and so simple you can eat it with your hands."

## \$39.9 Million Is Paid for A Van Gogh

By Soren Melikian  
International Herald Tribune

LONDON — A composition of sunflowers in a vase painted by Vincent Van Gogh at the end of January 1889, the year before his suicide, was sold Monday at Christie's for £24.75 million (\$39.92 million), the highest price in auction history for a work by any artist.

The price, which included a 10 percent sale charge to Christie's, far surpassed pre-sale estimates of £10 million to £15 million. It more than tripled the previous record.

Officials would not identify the buyer, saying only that the winning bid was placed by telephone by "an anonymous foreign collector."

The previous record auction bid was £8.1 million paid in 1985 by the J. Paul Getty Museum of Los Angeles for the "Adoration of the Magi" by Andrea Mantegna.

The previous record for a Van Gogh was held by "Sunrise Landscape," done in 1889, which was sold for \$9.9 million at Sotheby's in New York on April 24, 1985.

The huge price offered Monday for "Sunflowers," a 40- by 30-inch (100- by 76-centimeter) still life, reflects the intense competition between leading world institutions and powerful collectors for the handful of major pictures by artists such as Van Gogh that are still privately owned.

Of the five large-format compositions of sunflowers in an earthenware vase painted by Van Gogh during his stay at Arles in southern France, only a few months before his derangement became apparent, the painting auctioned at Christie's was the last in private hands.

Very few of the more important pictures painted by Van Gogh during his last years, first at Arles and Saint Rémy-de-Provence and later at Auvers-sur-Oise, remain outside museums.

Three other factors boosted the sale. One was the provenance of the picture. It was originally bought by Lady Edith Beatty in 1934 from the Galerie Paul Rosenberg in Paris. It was inherited by Sir Chester Beatty, an American of Irish descent who became a British subject. He died in 1983.

It was being sold as part of the estate of his wife, Helen Beatty. Such a context is a guarantee that there will be no speculative maneuvering on the part of the vendors.

Equally important was the psychological impact of two highly publicized exhibitions held at the Metropolitan Museum of Art in New York, one in the fall of 1984 covering the Arles period and another, which ended recently, devoted to his last 18 months in Saint Rémy and Auvers.

The third factor is that the yen has been appreciating against major currencies over a long period. Van Gogh is probably the most admired painter in Japan, for whose art he had boundless admiration.

He went to paint in Arles hoping that the light conditions would allow him to have "a closer idea of the Japanese way of feeling and drawing."

Chamber Backs González

MADRID — Prime Minister Felipe González easily defeated an attempt to unseat his Socialist government Monday. A censure motion received only 67 votes in the 350-seat chamber of deputies, with 194 against and 71 abstentions. Eighteen members were absent.



**TOXIC OIL TRIAL BEGINS** — A woman made ill by tainted rapeseed oil six years ago chants "Murderers! Murderers!" outside the Madrid courtroom where 38 people went on trial Monday for selling cooking oil treated with analine and intended for industrial use only. Hundreds of demonstrators threw rocks at the defendants. Prosecutors say more than 600 people have died in the case and 20,000 to 25,000 have been affected.

## North Korea New Caledonian Criticizes Referendum

By John Burgess  
Washington Post Service

TOKYO — North Korea agreed Monday to a South Korean proposal for a meeting of the two sides' prime ministers. But it did not respond to conditions the South set for the talks, creating uncertainty as to whether the talks would take place.

In a statement carried by its official news media, the North called for a ministerial-level meeting at the village of Panmunjom on April 23 to lay the groundwork for a prime ministers' meeting later.

As of Monday evening the South had not responded.

In January 1986, the North suspended on-going talks with the South, citing a large military exercise held each spring by South Korea and the United States. Both sides have put out feelers in recent months for restarting the discussions.

Two weeks ago, the South suggested a meeting of prime ministers, but said that the two sides first should reopen Red Cross and economic cooperation talks that were suspended last year.

In addition, the South called for opening of discussions about a dam that North Korea is building near the demilitarized zone that divides the Korean peninsula. The South claims that the dam is intended as a weapon to flood its capital, Seoul.

Arab Leader Meets Gadhafi

TRIPOLI, Libya — The secretary-general of the Arab League, Chems Eddine Ghannouchi, met Sunday with the Libyan leader, Colonel Muammar Gadhafi, the Libyan press agency JANA reported Monday.

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## Thatcher Challenges Soviet on 'Star Wars'

The Associated Press

MOSCOW — Prime Minister Margaret Thatcher vowed Monday that Britain would never give up its nuclear missiles. She accused the Soviet Union of developing a space-based defense system despite vehement denials by the Kremlin.

Mrs. Thatcher said that any agreement between the United States and the Soviet Union to eliminate medium-range nuclear missiles in Europe would only be acceptable to Britain and other North Atlantic Treaty Organization countries if it included reductions in the Soviet short-range missile forces already based in Europe.

Her position echoed that taken by U.S. negotiators in Geneva. In a speech delivered at a state banquet in her honor given by Mikhail S. Gorbachev, Mrs. Thatcher applauded the recent release of political prisoners by the Kremlin, but she said more prisoners must be freed and emigration must be increased if Mr. Gorbachev wants to establish trust in the West.

Earlier in the day, Mrs. Thatcher, on the first state visit by a British prime minister to the Soviet Union in 12 years, held two rounds of talks with Mr. Gorbachev on nuclear arms reduction and human rights.

In her speech at the banquet, Mrs. Thatcher scoffed at long-standing Soviet calls for a world free of nuclear weapons, saying such a world would be less stable and more dangerous.

Mrs. Thatcher, whose government has agreed to participate in research on the U.S. Strategic Defense Initiative, condemned by the Kremlin as the major threat to peace, warned Mr. Gorbachev that it was futile to try and halt the program, popularly known as "star wars."

The Kremlin has denied it is working on a similar system of space weapons. Mrs. Thatcher's remarks were one of the most straightforward and highest level rebuffs of those denials.

The British leader suggested that Washington and Moscow negotiate a treaty strictly outlining the planned research programs of both parties.

Saying conventional weapons had not been enough in the past to stop two World Wars, the British leader said nuclear weapons have ensured peace for more than 40 years.

"Without far greater trust and confidence between East and West than exists at present, a world without nuclear weapons would be less stable and more dangerous for all of us."

"That is why the government which I lead will not abandon the security provided for our country and for the NATO alliance by nuclear weapons," Mrs. Thatcher said.

## WORLD BRIEFS

### 2 Palestinian Women Hit by Snipers

BEIRUT (Reuters) — Sniper fire wounded two Palestinian women Monday as they protested in Burj al-Brajneh refugee camp against a force blockade by Shiite Muslim Amal militiamen. Palestinian sources said.

They said clashes with automatic rifles and mortar bombs flared overnight around the settlement in southern Beirut, where at least 12,000 people live. Five unarmed people were killed by sniper fire at the nearby Chatila camp Sunday when about 150 women and children marched to the edge of the camp to stage a similar protest, a Greek-Canadian doctor, Chris Giammona, told Reuters by radio telephone.

Amal fighters have ringed the camps since Oct. 29. Doctor Giammona said conditions in Chatila, where 3,200 people are living in the few said conditions in Chatila, were "close to catastrophic." He said there were severe shortages of food, clean water, medical supplies and fuel.

### Greece Says Oil Rights Dispute Is Over

ATHENS (Reuters) — Prime Minister Andreas Papandreu of Greece said Monday the crisis with Turkey over disputed oil rights in the Aegean Sea has ended. He said the issue should be decided by the International Court of Justice.

The threat of war over the issue cooled after Turkey said a research ship on its way to the Aegean would not enter the disputed area.

Meanwhile, Greek Orthodox church leaders called for a protest march Wednesday to express opposition to the government's plan to take church lands. A debate is under way in parliament on a bill that would transfer 130,000 hectares (321,000 acres) of church lands to the state.

Shamir Retains Party Leadership

TEL AVIV (AP) — Prime Minister Yitzhak Shamir retained his leadership of the rightist Herut Party at the party's convention Sunday. Mr. Shamir, 71, was re-elected Herut Party chairman. He was unopposed.

The focus of the convention was a challenge to Mr. Shamir's political allies, which Mr. Shamir won when his candidate, Minister at Large Moshe Arens, was elected party secretary. Ariel Sharon, minister of trade and industry, was elected chairman of the central committee, the party's main governing body.

In a speech after his re-election, Mr. Shamir told his supporters the West Bank and Gaza Strip "will stay in our hands forever." He considers Gaza, which Israel captured from Egypt in 1967, and the West Bank, captured from Jordan in the same war, integral parts of Israel. The delegates approved a resolution urging the government to annex both territories.

Moslems Rally in India for Shrine

NEW DELHI (NYT) — More than 150,000 Moslems marched on Monday through central New Delhi under heavy police guard and then held a peaceful but emotional rally to demand the restoration of a disputed shrine that was turned over to Hindus last year. The gathering was said to be among the largest held by any political group in New Delhi in recent years.

Hindus reverse the shrine as the birthplace of the god Ram and have vowed to oppose any move to give it to Moslems. Moslem politicians and theologians say the place is a mosque built in the 16th century by Babur, founder of the Mogul empire. It was shut and locked to both sides when the controversy flared 30 years ago. Last year a local judge ordered it opened to Hindus.

The decision provoked widespread resentment among Moslems, who began a series of protests, culminating in the mass rally.

U.S. to Pull Out Marines in Moscow

WASHINGTON (UPI) — All 28 Marine guards at the U.S. Embassy in Moscow will be withdrawn next month to help in the investigation of two Marines accused of allowing Soviet spies into the building, the Marine Corps said Monday. They will be replaced by other Marines.

"This measure is precautionary in nature and is intended to facilitate an investigation of the security program at the U.S. Embassy," a statement said. "There's no evidence that any of the returning Marines are implicated in any wrongdoing."

At the same time, the lawyer for Sergeant Clayton J. Loneston, one of the Marines accused of spying, said the second Marine accused but not formally charged in the investigation, Corporal Arnold Bracy, had recanted his story in a classified statement. Earlier Monday, the Marines sent Sergeant Loneston, 25, to Bethesda Naval Hospital for a psychiatric evaluation to determine his ability to stand trial in a court martial, the Corps said.

Tennessee Loses Nuclear Dump Case

WASHINGTON (AP) — The Supreme Court has turned down an appeal by Tennessee officials seeking a greater say in the location of a proposed nuclear waste storage depot in the state.

The court, without comment, cleared the way Monday for the Reagan administration to seek congressional authorization for the facility without first consulting state officials.

The 6th U.S. Circuit Court of Appeals had overturned a federal judge's ruling that the U.S. Department of Energy may consult with state officials after Congress authorizes a site for the plant. The circuit court suspended the effect of its own ruling pending review by the Supreme Court.

For the Record

The Lebanese Druse leader, Walid Jumblatt, began talks Monday in London with a Foreign Office minister, Timothy Renton, on the disappearance in Lebanon of an Anglican missionary, Terry Waite. Mr. Jumblatt's faction guarded Mr. Waite before he disappeared more than two months ago during his last mission to free Western hostages. (Reuters)

Salvagers of a British ferry capsized off Zebrugghe, Belgium, in which at least 74 bodies have been entombed since it sank March 6, said Monday they hoped to right the boat Friday. At least 134 of 543 people aboard the Herald of Free Enterprise were killed.

TRAVEL UPDATE

Atlanta pilots started five days of industrial action Monday, causing the cancellation of dozens of domestic flights and bringing chaos to several international services, airport officials said. The pilots plan to strike four hours every day until Saturday during the busy morning period to protest working conditions. Most airports are affected. (Reuters)

SPIES: Paris May Expel Soviet Aide

(Continued from Page 1)

ter Mr. Verdier, 36, turned Miss Varygin in July. The lawyer and Mr. Verdier's father said that Miss Manole and Mr. Verdier had been lovers.

Police sources said that investigators had treated the letter seriously and had traced it to Miss Manole.

Since the ring was uncovered, seven persons have been charged with spying for an unnamed foreign power. Five of them, including both women, have been kept in custody.

Mr. Verdier and another alleged member of the group, Michel Fleury, both graduates of the prestigious Polytechnique engineering school, worked for the National Institute of Statistics and Economic Studies, where Miss Manole was a secretary.

The daily Liberation said Monday that the spy ring took an interest in several other factories in the Rouen region, including plants specializing in telecommunications.

Their objectives also included a factory belonging to the Hispano-Suiza company, where jet-engine parts are made, Liberation said.

Last year, France ordered the departure of four Soviet diplomats, bringing the retaliatory expulsion of four French diplomats from Moscow.

In April 1983, the French government expelled 47 Soviet officials for espionage, but Moscow did not retaliate against French officials in that case.

4 French Leftists Charged in Killing

PARIS — Four alleged leaders of the leftist terrorist group Direct Action were charged Monday with the murder of General René Audran, a senior Defense Ministry official, who was killed near Paris on Jan. 25, 1985.

Jean-Marie Rouillon, 34, Nathalie Menigon, 29, Joëlle Aubron, 27, and Georges Cipriani, 35, were arrested in a police raid on a farm in the Loire Valley on Feb. 21.

Ballistic experts said this group of 45 pistols found at the farm had been used in General Audran's assassination. Miss Menigon and Miss Aubron had previously been charged with the murder of Georges Besse, the president of the Renault automobile company.

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# Pat Robertson Tacks Away From Television Preachers' Storm

By Wayne King  
New York Times Service

NASHUA, New Hampshire — The Reverend Pat Robertson, pressing his crusade for the presidency in New Hampshire, has been working hard to keep a distance from the battle enveloping his fellow television evangelists.

At first Mr. Robertson, who despite minuscule poll ratings led the Republican field in early Republican Party tests in Michigan and South Carolina, said the animosity among television evangelists was "a prelude to an accelerating revival."

Then, after a late-night battle with aides last week, he began dismissing as an aberration the matter that provoked the animosity: the sex scandal and chaperon at the Reverend Jim Bakker's ministry on the PTL-TV network.

When queried about the turmoil, Mr. Robertson would ask if the Janet Cooke affair, in which a journalist won the Pulitzer Prize for a story later found to be a fabrication, meant that all journalists were liars, or if Ivan Boesky's transgressions meant all stock traders were shady.

His initial approach seemed to play well in the churches, but the new one appeared to do better with secular audiences. Changes in tack to match shifts in political winds are nothing new in the testing stages of political campaigns, but in Mr. Robertson's case, there seemed a differ-

ence, perhaps basic. One approach came from the preacher, the other from the politician, for he is both.

He is a graduate of an Ivy League law school with a specialty in tax law. His father, A. Willis Robertson, a Democrat, served 14 years in the House of Representatives and 20 more in the Senate, rising to become chairman of the Banking Committee.

He has never held elective office nor practiced law. But Mr. Robertson, who is also a seminary graduate and ordained Southern Baptist minister, has a television ministry that reaches 28 million Americans.

He is a "charismatic Christian," who says abortion "has murdered 25 million babies," that only the religious have the dedication to bring up children, that those who argue that children are wards of the state are guilty of "Nazism" and that while parents are totally responsible for their children, the children "belong to God."

In speeches, sermons and interviews, he reels off a barrage of statistics — on crime rates, drug use, AIDS, unemployment, divorce rates, the national debt, the projected Social Security shortfall — with the ease of a polished campaigner.

Sometimes, as when he took the pulpit at the little Community Chapel of the Church of the Nazarene here in Nashua Thursday

**While Robertson maintains that the fallout from the infighting among the evangelists in no way affects him, political analysts see damage to his campaign.**

Biblical Seminary, a holder of an honorary doctor of divinity degree from Oral Roberts University; the founder of the Christian Broadcasting Network, a \$70 million enterprise; the owner of three other stations, bringing in an additional \$30 million a year, and a station in Lebanon on the Israeli border, broadcasting in English and Arabic; founder and chancellor of CBN

University, with 944 students in five graduate programs and a law school, and, "a great candidate for president of the United States."

The congregation applauded. Television cameras flanked the pulpit, their lights bathing the choir.

Mr. Robertson translated the parable of the talents into a "tale of free enterprise," in which the biblical entrepreneur "rented a caravan of camels, perhaps from the Hertz of the day," and took to the path of commerce, doubling his money and returning to his master the equivalent of \$5 million.

It was by applying the biblical principle of using one's talents, Mr. Robertson said, that he turned a small investment in a dilapidated television station in 1959 into a Christian cable network that is now hooked into 34 million homes.

Asked in an interview if he believes in a return to a theocracy that the U.S. Constitution specifically bans, Mr. Robertson replied:

"A theocracy implies that the priests are running things, which I don't believe in in any way appropriate, but I do believe that we have clearly a theistic country whose institutions — and I quote Justice Douglas — whose institutions presuppose a supreme being. I think our declaration, the Northwest Ordinance, the Constitution itself, the foundational documents of our

country, are tied in with religion and morality."

That view, coupled with strong anti-Communism, have drawn fervent support among evangelical Christians. He maintains that the primary goal of American foreign policy should be not containing Communism but eradicating it.

His followers turned out in large enough numbers to seize the Republican Party machinery in Michigan, and appear to be in a position to do so in South Carolina. But such caucuses hinge far more on the fervor of a few than on mass appeal, and it remains to be seen whether he can broaden his support or whether it is, as some political analysts say, "a mile deep and a foot wide."

While Mr. Robertson maintains that the fallout from the infighting among television evangelists over the PTL turmoil in no way affects him, political analysts see damage to his campaign.

"Absolutely. There's no way around it," said Kevin Phillips, the political analyst whose book "The Coming Republican Majority," foreshadowed the emergence of the religious right.

"The whole evangelical-fundamentalist movement becomes a caricature," he said. But Mr. Phillips said that before the PTL shakeup, "there was evidence of growing grass-roots support" for his campaign.



Pat Robertson campaigning in Rochester, New Hampshire.

## U.S. Studying Portable Reactors For Backup Power in Nuclear War

By Richard Halloran  
New York Times Service

WASHINGTON — The U.S. Air Force is exploring the possibility of building several hundred small nuclear reactors that would generate electrical power in a protracted nuclear war, according to a report by the Department of Energy, congressional and industry officials.

The officials estimated that the plan would take five years to execute and would cost about \$20 billion for 300 reactors.

The reactors, which would be transported by air around the country and overseas, would produce emergency electrical power for computers, communication lines, weapon launching sites, support equipment and repair shops, the officials said.

They would be used if the commercial power grid on which the air force relies were destroyed by nuclear attack.

The Department of Defense has requested \$5.5 million for the project in the fiscal year beginning Oct. 1. That money would be used to make a partial payment on an \$11.9 million contract being negotiated between the government and Westinghouse.

Six companies in the nuclear industry submitted design concepts. Westinghouse was selected to submit a detailed design for reactors that could produce 10 megawatts, according to Gary S. Flores, the air force's associate director of engineering and services.

After a survey of U.S. bases, Mr. Flores told the subcommittee of the House Science and Technology Committee on March 19: "The Department of Energy recommended

small nuclear reactors as one viable option which could satisfy our needs and proposed to assist us in the evaluation of this potential."

The dimensions and weight of the reactors, the nature of the containers that would be used for transporting them, and other safety factors have not yet been decided. Underground concrete and steel shelters would be designed to protect them on site.

If the program goes into production, the air force and Department of Energy probably would place the first orders in the United States in more than 10 years for nuclear power plants.

The project, which officials said the air force had tried to keep out of the public eye, seems likely to provoke political dispute as it proceeds.

On one side, the officials said, the project is vital to the Reagan administration's strategic strategy and to the air force, which is charged with developing most of the weapons and supporting structure to fight such wars. The nuclear industry that would produce the reactors are deemed likely to support the project.

On the other side would most likely be anti-war groups, environmentalists who oppose nuclear power, and a variety of others who would say the plan will add to the federal deficit.

Much of the debate will probably go on in Congress, which must approve all funds for research, development and production of the nuclear reactors.

Today, the air force depends largely on commercial power grids for electricity to operate a wide range of equipment and facilities,

from gyroscopes aboard ballistic missiles standing ready in silos to support sites for bombers armed with nuclear bombs or cruise missiles.

Air force officials have testified before Congress that daily power requirements for bases today range from 5 to 60 megawatts during peak demand, and cost \$900 million last year. They have estimated that wartime demands would be double that requirement.

The electric power grids are highly vulnerable to attack, sabotage and terrorism, air force officials said.

Only small diesel generators and batteries would be available in emergencies, and many of those would be as vulnerable as the commercial power supply. The generators, moreover, would require oil or gasoline, supplies that would be disrupted during a nuclear war.

That is why, the officials said, the air force is seeking sources of electricity that could be protected from repeated nuclear attacks and could continue to provide power to command posts, communications apparatus and weapons as American nuclear forces kept firing.

Administration officials have said survival of communications would be the critical element in a nuclear conflict. The president, his senior aides and military commanders must be able to get information relayed from space and around the world, and to transmit orders to dispersed forces.

A spokesman for Westinghouse said the company would not comment publicly until after the contract under negotiation had been signed.



Louis Nel

## Ex-Censor Quits Party in South Africa

Reuters

JOHANNESBURG — Louis Nel, the government official who was in charge of enforcing censorship in South Africa during the height of racial strife last year, said Monday that he would not be a candidate in the whites-only election for Parliament on May 6.

Mr. Nel withdrew after newspaper disclosures that he had been involved in a deal to buy South African government property in Tokyo. He was removed in December from the post of deputy information minister.

He said on the state radio Monday that he had not come under pressure to leave the ruling National Party but that he was withdrawing his candidacy in a Pretoria constituency to devote his time to private business.

The opposition Progressive Federal Party charged that Mr. Nel had either been pushed aside by the National Party or had resigned to save face.

The nationwide state of emergency imposed in June in an effort to crush widespread rioting in black townships included severe reporting restrictions. Mr. Nel, who was regarded by foreign reporters as uncompromising, had argued that accounts of violence had fueled anti-South African sentiment and had provoked sanctions by other nations.

**Cabinet Nominee**  
The National Party on Monday nominated Harry Dille, the mayor of Simonstown, near Cape Town, as its candidate to replace the minister of environmental affairs and tourism, John Wiley, 60, who committed suicide Sunday, United Press International reported.

Meanwhile, the police reported that four black civilians died and a fifth person was injured Saturday when their van set off a land mine on a dirt road near the border with Mozambique.

## Court to Review Falwell's Award

The Associated Press

WASHINGTON — The Supreme Court said Monday that it would consider overturning a \$200,000 award won by the Reverend Jerry Falwell against Hustler magazine and its publisher, Larry Flynt.

The justices will decide whether the award for the evangelist's "emotional distress," caused by an advertising spoof in Hustler, violated the magazine's rights to free speech.

The court's decision could set guidelines on the legal protections afforded satire and parody in the United States. A decision is expected next year.

## Pinochet Foes Hope for Papal Advocacy

By Juan de Onis  
International Herald Tribune

SANTIAGO — Pope John Paul II leaves Tuesday for a trip to three Latin American countries, including Chile, where his visit will test the Roman Catholic Church's opposition to the repressive military regime of President Augusto Pinochet.

The Chilean church has been at odds with General Pinochet since he deposed the leftist government of President Salvador Allende, who died in the 1973 coup.

Since General Pinochet took power, two priests have been killed, bishops have been stoned by government supporters, some priests have been jailed and scores of foreign priests have been expelled.

The pope will also visit Argentina and Uruguay, where the church's leaders have helped in their countries' return to democracy in recent years.

This is the pope's seventh trip to Latin America. He is to arrive in Uruguay Wednesday. He will then visit Chile for six days, and go on to Argentina for another week, returning to Rome April 13.

In Chile, the issues that have forced the church into confrontation with the regime include political assassinations, torture of prisoners, exile of opponents, censorship, cultural restrictions and anti-labor policies.

General Pinochet, who is a Roman Catholic and goes to church services, has avoided a break with the church, but he is often sharply critical of the bishops here.

He has told Cardinal Juan Francisco Fresno, the archbishop of Santiago, to keep the church "out of politics."

In these circumstances, the first visit by the pope to Chile is a political event.

Both the government and its partisans, and the opposition, are trying to turn the six-day visit to their advantage.

"The pope will be visiting a divided society," said the Reverend Renato Heria, who is editor of the Jesuit magazine Mensaje. "Everyone is waiting to see how the world's highest moral authority will address the situation here."

The opposition political parties are confident that the pope will condemn human rights violations and political repression in a way that supports a return to democracy here through free elections after 13 years of military rule.

General Pinochet is governing under a constitution that calls for a plebiscite in 1989 to decide if he should stay on another eight years. The church has declared that what

Chile needs is a free election with guarantees for opposition parties of a fair vote.

Chile, Paraguay and Suriname, have the only remaining military governments in South America.

General Pinochet and Chile's conservative Roman Catholics present the visit as a recognition of the legitimacy of the government.

The government hopes the pope will condemn Marxism, political terrorism and political activism by priests.

Faced with the danger of polarization, the church has been insisting that this is a pastoral visit. Vatican officials say the pope is coming to be with the Chilean people, as during his visit to Poland, where he did not embrace the government.

But in Poland, the pope's words and actions here will have unavoidable political effects.

In his previous Latin American trips, the pope has never failed to back up the national bishops, particularly when they are under attack, as they were in Haiti under

former President Jean-Claude Duvalier or in Nicaragua under the Sandinistas.

"The role of the church here is not to overthrow Pinochet, but we are not going to be silent in the face of abuses," said a Chilean bishop who has had a key role in informing the pope on the Chilean situation.

He was interviewed on the condition that he not be named.

"There is no conflict that will make the pope keep his silence," said Eduardo Cardinal Pironio, an Argentine prelate and the highest ranking Latin American at the Vatican.

The Chilean church, particularly in the archdiocese of Santiago, exemplifies the "progressive" current within the Latin American Church.

It has provided legal aid for political prisoners, organized low-income settlements against police repression, and fed the unemployed.

The last pastoral declaration before the visit by the Chilean bishops, two weeks ago, was sharply criticized of the government. It

cited recent cases of torture, the failure to prosecute members of the military charged with assassinations of political opponents and the deliberate burning of demonstrators, and the summary dismissal since January of 7,500 teachers.

"That gives me a pain," General Pinochet commented at the pastoral statement. "The statement sounds like it was drafted by a political party."

After an assassination attempt against him by Communist guerrillas in September, General Pinochet ordered the expulsion of two French priests from the La Victoria settlement, where the Reverend André Jarlan was killed during a sweep by security forces in 1984.

The pope will meet privately with General Pinochet at the presidential palace on Thursday, his first full day in Chile.

Publicly, the pope and General Pinochet are scheduled to appear together only at the airport arrival and departure ceremonies.

## 'Helpful Step' in the Pollard Affair But U.S. Says Israeli's Resignation Won't Close Case

Compiled by Our Staff From Dispatches

TEL AVIV — Israeli and American leaders welcomed on Monday the resignation of an Israeli Air Force colonel implicated in the Pollard spy case, but U.S. officials said that Washington did not regard the affair as closed.

Colonel Aviem Sella, who was indicted in the United States this month on charges of recruiting a U.S. Navy intelligence analyst to spy for Israel, resigned Sunday as commander of the Tel Aviv Air base after only three weeks in the post.

The colonel said in a letter of resignation that he was stepping down for the good of Israel and to try to improve relations with the United States and American Jews.

After Colonel Sella's resignation, the Tel Aviv Air base was promoted to a major. The Tel Aviv Air base announced that U.S. military and civilian personnel would have nothing to do with the base as long as he was in charge.

"We welcome it as a helpful step," a U.S. Embassy spokesman said of the resignation. "The restriction on Tel Aviv is now lifted but Colonel Sella remains off-limits."

The Israeli prime minister, Yitzhak Shamir, said of the colonel: "He did what he had to do."

But other Israeli officials said Colonel Sella's resignation was a



Colonel Aviem Sella

result of pressure from some senior officials and from elements within the Israeli military.

U.S. officials agreed with statements by Israeli political leaders that the colonel's departure would

lessen tensions with Washington, Israel's main ally and arms supplier.

The U.S. officials said the Reagan administration was awaiting the results of two Israeli inquiries into the case and possible U.S. legal action against other Israelis involved in the espionage.

"The heart's not off altogether but it is probably a little down," a U.S. official said.

Colonel Sella indicated that he would remain in the air force in an undisclosed capacity. He was indicted in Washington on March 3 by a federal grand jury that said he was instrumental in setting in motion the espionage activities of Jonathan Jay Pollard, the navy analyst.

The contact was said to have been made while the colonel was on a study leave at New York University.

Mr. Pollard, 32, was sentenced on March 5 in the United States to a life sentence for espionage.

U.S. justice officials have said they are considering whether to ask for indictments against three Israeli Embassy officials alleged to have been involved in controlling Mr. Pollard.

Colonel Sella, a computer expert, is considered to be one of the most talented pilots in the Israeli Air Force. He was the deputy commander of the 1981 Israeli air strike that destroyed the Iraqi nuclear reactor in Baghdad, government officials said.

In addition, they said, he was one of the architects of the highly complex Israeli air raid that wiped out the Syrian surface-to-air missile network in Lebanon during the first week of the Israeli invasion in June 1982.

Meanwhile, an Israeli fund-raising committee, "Citizens for Jonathan Pollard," urged Israelis on Monday to write letters of support to Mr. Pollard and his wife.

"The Pollards are not alone," the group said in an advertisement in the Jerusalem Post.

It called on Israelis to write to Mr. Pollard at the Missouri prison where he is serving his sentence.

His wife, Anne, who was sentenced to five years in prison as an accomplice, is in a Kentucky jail. The committee was formed recently to raise funds to cover the couple's legal costs, estimated at \$120,000. (Reuters, NYT)

## Dutch Minister Urges Talks By EC on AIDS Entry Tests

The Associated Press

THE HAGUE — Justice Minister Frederik Kortals Altes of the Netherlands has called for a conference of the 12 nations of the European Community to discuss AIDS tests for non-EC nationals arriving at EC borders and ports of entry.

Mr. Kortals Altes said Sunday that such a conference of EC health, justice and interior ministers should be held as soon as possible to deal with the issue of whether such border controls are desirable and feasible, a ministry spokesman said.

The minister did not explicitly

advocate tests for acquired immune deficiency syndrome, which undermines the body's natural ability to combat disease. He said that although Dutch authorities are allowed by law to administer AIDS tests to foreigners entering the Netherlands, this country "is too small to go it alone."

The Dutch law allows authorities to subject foreigners to a health test if there is reasonable suspicion they are suffering from a contagious disease threatening public health here, but it has not been invoked to persons with AIDS tests at the country's ports of entry. As of Dec. 31, 218 cases of AIDS had been reported in the Netherlands, including 126 deaths.

## Swedes Confirm Illegal Arms Shipments to Mideast

By Juris Kaza  
International Herald Tribune

STOCKHOLM — Officials of Nobel Industries confirmed Monday that an armaments subsidiary was involved in illegal arms sales, and gave details of extensive smuggling of weapons, ammunition and explosives to the Middle East and other destinations blacklisted by the government.

Anders Carlberg, managing director of Nobel Industries Sweden AB, said that he expected a criminal investigation of Bofors, the subsidiary, and that company auditors would continue a separate inquiry.

He did not rule out the possibility that the investigations might reveal that Bofors, Sweden's biggest arms maker, had smuggled weapons to Iran. But he said he was not aware of any evidence that Bofors had sent its advanced Robot-70 anti-aircraft missiles to Iran.

Mr. Carlberg was quoted in the latest issue of a Swedish weekly as saying that two shipments of the laser-guided Robot-70s had been sent to Singapore with the knowledge that they would be shipped to Bahrain and Dubai.

He confirmed this at a news conference Monday.

Swedish law forbids the export of Swedish-made weapons to nations at war or in areas of military tension, including the Middle East.

Mr. Carlberg said that an internal investigation had led Bofors to cancel several weapons orders "where some degree of doubt was present" as to their legality.

Lars Erik Thunholm, the chairman of Nobel, said Monday that a former managing director of Bo-

fors, Claes Ulrik Winberg, had resigned from the board.

Mr. Thunholm said there was reason to consider Mr. Winberg and Martin Ardbo, who recently resigned as the Bofors managing director, as "morally guilty" of smuggling.

Mr. Carlberg would not place a value on the illegal dealings by Bofors, but said that the transactions known to him were worth up to several hundred million kronor.

There are 6.3 kronor to the dollar. These transactions included the shipment of Robot-70s to Bahrain and Dubai, cannon to Thailand,

and ammunition and explosives to Oman and East Germany.

The missile and cannon shipments were made through apparently legal purchases by Singapore, while the explosives were diverted to East Germany by a legal purchaser in Austria. Ammunition was also smuggled to Kuwait through Italy.

The ammunition and explosives were produced by Nobel Kemi, another Nobel subsidiary.

Mr. Carlberg said that Bofors officials consciously broke the law in shipping weapons to Singapore in the early 1980s, knowing that they would be resold to Bahrain.

But he said that he knew of no evidence that Swedish government officials knew of or had sanctioned the illegal weapons transactions.

A Swedish peace group, the Swedish Peace and Arbitration Society, which originally raised the smuggling accusations, has expressed doubt that the arms sales could have gone unnoticed within the government.

The Bofors affair has received wide coverage in the Swedish press, and Mr. Carlberg said that why Nobel was breaking a policy of not commenting on a matter subject to criminal investigation.

## Walter Abel, American Actor, Dies

New York Times Service

NEW YORK — Walter Abel, 88, an actor who appeared in the earliest plays of Eugene O'Neill in the 1920s and who continued to work on stage and in movies for more than 50 years, died Thursday in Essex, Connecticut.

Mr. Abel played in a variety of Broadway comedies and melodramas before a role in the George S. Kaufman-Moss Hart play "Merely We Roll Along" won him a contract with RKO in 1934.

He appeared in about 60 movies, among them a 1935 screen version of "The Three Musketeers" in which he played D'Artagnan, "Arise My Love" (1940), "Hold Back the Dawn" (1941), "Holiday Inn" (1942), "Mr. Skeffington" (1944), "Kiss and Tell" (1945), "Dream Girl" (1948), "Bernar-

dine" (1957), "Mirage" (1965) and "Grace Quigley" (1985).

**Martin Provensen, 70, Illustrated Children's Books**

NEW YORK (NYT) — Martin Provensen, 70, an illustrator of children's books, died Friday of a heart attack in Clinton Corners, New York.

Mr. Provensen and his wife, Alice, also an illustrator, worked as a team for more than 40 years.

Their illustrations for the "Fire-side Book of Folk Songs" helped make it a classic after its publication in 1947. Their work ranged from simple stories such as "Katie and the Kitten" in 1949 to "The Glorious Flight: Across the Channel with Louis Blériot" in 1983, which they also wrote.

**Other deaths:**

**Mario Formenton, 58, president of Mondadori, one of Italy's largest publishing groups, over the weekend of a liver tumor in a Paris hospital. Mondadori announced Monday.**

**Nikolai Yermakov, 60, a Soviet Communist Party official closely linked to the economic changes sought by Mikhail S. Gorbachev, the Soviet leader, after a long illness. Pravda announced Monday.**

**IRA Kills Soldier in Belfast**

**United Press International**  
BELFAST — A British soldier was killed and three others wounded Monday near central Belfast in a bomb or rocket attack by Irish guerrillas on an army patrol.



# Herald Tribune

Published With The New York Times and The Washington Post

## Trade Has Its Rules

The White House declaration of a chip war with Japan is an unhappy event, but something like it was inevitable. The Japanese assault on the world market for semiconductors and integrated circuits has raised too great a threat to the American producers in an industry that the United States, like Japan, regards as crucial.

The response that President Reagan now promises will be the first instance of American trade retaliation against Japan. That is extraordinary when you consider the long history of trade disputes between the two countries and the enormous impact of Japanese imports on many American industries.

The issue here is predatory pricing — pricing that is held below the cost of production to buy a dominant share of a market. It is illegal for an American company at home, and it ought to be illegal in international trade. A lot of American manufacturers in other industries have complained of Japanese pricing practices. Why is the administration finally forcing the question on chips rather than autos or steel or machine tools? Predatory pricing was not always so clear in the other products, and judgments there were complicated by the evidence that the Japanese producers were simply more efficient than the Americans.

Semiconductors present a clearer example. But pricing is never easy. In the agreement between the two governments

last year, the Japanese pledged greater imports of American chips into their market and no more dumping in third countries. The Reagan administration charges that neither of these promises has been kept. The more important of the two is the prohibition against dumping worldwide, and it is especially hard to enforce on unwilling adversaries without the kind of market-sharing and cartelization deals that are the death of healthy competition.

Prime Minister Yasuhiro Nakasone is to visit Washington at the end of next month, a gesture that both he and his host presumably hope to use to limit the political impact of the chip war. But now the United States is trying to reach beyond the diplomats and force a change in the way that several big Japanese companies do business.

The United States has for some time been trying to deliver the message — to which the Japanese have proved remarkably resistant — that it has grown strong and wealthy, Japan can no longer expect to have its less acceptable habits overlooked by its trading partners. With strength come responsibilities. There are certain disadvantages to being a great economic power, and one is to be treated at last not as a dependent and a client but as an equal. That means, among other things, living by the same trade rules as other great economic powers.

— THE WASHINGTON POST.

## Afghan Pressure Policy

It is not hard to guess why Soviet planes flown by Afghan pilots are striking across the border at Pakistan. The aim is intimidation. By raising the stakes in its eight-year-old war in Afghanistan, Moscow hopes to impel Pakistan to accept its peace terms. That would mean cutting off all outside aid to Afghan insurgents and giving 115,000 Soviet troops 18 months to mop up an abandoned resistance.

The trick for America is to keep helping the Afghan rebels without undermining other important interests in a region beset by violence, fundamentalism and, in the Gulf sector, escalating threats to neutral shipping. This makes for two complex balancing acts.

First, the United States must balance its anti-Soviet goals in Afghanistan with its global nuclear nonproliferation policy. Washington needs Pakistan's cooperation in the Afghan fight, and that requires shipping substantial amounts of arms to and through Pakistan. Yet providing them unconditionally could convince Pakistan that it can continue to develop a nuclear weapons capability with impunity, that Washington would not dare cut off aid simply to stop proliferation.

No one has a good answer to this problem. Washington is wise to maintain the arms pipeline, while sustaining maximum pressure on Islamabad to stop its nuclear weapons program. At the minimum, this calls for something like the formula proposed by Senator John Glenn. The Ohio Democrat favors continued military aid if President Reagan is able to certify that Pakistan has stopped producing weapons-grade nuclear materials. To settle for any-

— THE NEW YORK TIMES.

## Pay College Athletes

Provoked by the football scandal at Southern Methodist University, his alma mater, Representative John Bryant of Texas has introduced legislation to cut off all federal funds to colleges that make under-the-table payments to athletes. Given the American propensity to seek a legal solution for every problem, such a proposal was probably inevitable. But it is not wise. A better solution would go in just the opposite direction: Pay athletes outright and let them stop masquerading as students and amateurs.

With a long athletic tradition, a big stadium to fill and a position in the fiercely competitive Southeastern Conference, Southern Methodist was almost bound to cheat. The disclosure that the chairman of the board of governors approved illicit payments was shocking but not surprising. On other campuses, top officials insulate themselves from knowledge of such dirty details.

Last year's SMU was the University of Georgia. A wrongful dismissal suit by a remedial English instructor, Jan Kemp, revealed a wholesale sellout of academic standards to athletic competitiveness. Athletes were enrolled in easy courses and kept eligible for sports, but were never really expected to graduate. Scandal has stained other schools recently — Tulane, Clemson, the University of Maryland, the University

— THE NEW YORK TIMES.

## Other Comment

### Chips War: A Bad Example

If the multilateral trading system enshrined in the General Agreement on Tariffs and Trade is to survive, it needs the wholehearted commitment of the United States. That commitment looks fragile. At the end of last week the Reagan administration announced plans to impose tariffs on certain Japanese electronic products. This is to punish Japanese companies for alleged failure to abide by the terms of last year's semiconductor trade agreement between the two countries, which was designed to curb predatory pricing by Japanese manufacturers and to

— THE FINANCIAL TIMES (London).

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## Post-Pollard: A Senator Helps the Wound to Fester

By William Safire

WASHINGTON — Senator David Durenberger of Minnesota, until recently the Republican chairman of the Senate Intelligence Committee, called to set up a breakfast date last week. Fine with me. I had heard he was a nice guy, maybe a little flaky, and I assumed that he wanted to explain his recent gaffe.

According to someone present who took notes, Mr. Durenberger told a group of Jewish leaders in Palm Beach, Florida: "We changed the rules in the early '80s. We recruited an Israeli to spy on Israel and he got caught. . . . I can't justify Pollard, but I can understand him."

Despite the disclaimer, that was intended to reassure Jews that "everybody did it," and that Israel was justified in retaliating by hiring an American to betray his country. By offering comfort to the higher-ups in Israel who are trying to conceal their wrongdoing, the senator strains the ties between Israelis and Americans.

My mind was fixed on this issue just as my mouth was fixed for an elegant breakfast at Washington's Grand Hotel. But at the last minute, his office called to cancel; no flaky croissants and no senator. Nor was he available to talk on the telephone. An aide made clear that I was the last person in Washington he wanted to talk to about the Jonathan Jay Pollard affair.

Why the sudden clam-up? A few calls by Martin Tolchin of The New York Times unearthed the story: Acting on complaints from senators and administration officials, the Senate Ethics Committee had begun an investigation of Mr. Durenberger's apparent breach of security. "This is serious stuff," one angry senator told me. Only six

U.S. senators have been censured by the Senate. The last was Joseph McCarthy in 1954, although the verb chosen in that case was "condemned."

This case is unlikely to go that far, but what infuriates some senators and disturbs many others is that the Durenberger leak justifies the presidential "findings" that secretly deny oversight to the Senate. This is catnip to the tell-'em-nothing crowd in the White House.

Until now, Senate Intelligence has been relatively leakproof. Now here is a former chairman tossing off a state secret at a fund-raiser.

Wait: What if the Durenberger story is a figment of his imagination, a way of getting even with his old tormentor, William Casey? The U.S. and Israeli defense ministers have both flatly denied that the CIA was caught trying to penetrate the Israeli government, and there is always the chance that those denials are true. If so, how can the senator's spreading of a false story for reassurance and/or vengeance purposes be a breach of security? If it isn't true, no secret leaked.

Therein lies the Senate's bind. If the senator's charge of a CIA rule change about spying on allies is true, a vote to discipline him would confirm it and spill the secret; if it is not true, an ethics committee decision not to bring charges would allow intelligence committee members unfairly to clobber the executive branch with impunity.

Unbind yourselves, Senators. The only way out is full disclosure, letting the chips fall on the CIA or on Mr. Durenberger's re-election chances. This

investigation requires an intelligence committee study, with administration cooperation, of policy on spying on allies: Is there no line between the vacuum-cleaner collection of information from the Big Ear and the payment of covert agents in friendly capitals? The golden rule of spookery — do it to your allies before they do it to you — is not necessarily the best national policy.

Thus has the Pollard case struck again, endangering the career of a United States senator who was only trying to "understand" the Israeli motivation. The point should not be lost on Jerusalem: This wound is festering, not healing.

Colonel Aviem Sella, Mr. Pollard's Israeli handler, gave up Sunday the prestigious assignment he was awarded just before the Pollards were sentenced. In a couple of weeks, the non-judicial Israeli commission that has promised total secrecy to witnesses will probably recommend the retirement from state-owned industry of the spy-master Rafael Eitan, with some stern finger-wagging at the collective leadership. That would be too little and too late, an attempt to appease Americans rather than cure the illness that infects the cover-up coalition.

Message to Israel from a friend who eats breakfast alone: Forget about coming clean as a favor to American Jews or to preserve U.S. aid. Your central purpose in making wrongdoers accountable is to preserve the soul of your democracy. Where are leaders with the courage and patriotism to say, "I knew about the operation, I tacitly authorized it, I meant well, I was mistaken. I resign?" Failing that, where is the new Isaiah? The New York Times.

## Yes, Henry, Trimming Warhead Totals Can Help

By Edmund S. Muskie

Former Senator Muskie was secretary of state from May 1980 to January 1981.

WASHINGTON — For some years now, those who urged us to enter the world of MIRV have assailed the drastic increases in nuclear weaponry spawned by the ill-considered technological innovations that they endorsed. Yet a number of them, notably Henry Kissinger, have simultaneously seemed contemptuous of practical measures to begin redressing the trends toward ever more numerous strategic forces.

In 1979, Mr. Kissinger's pronounced skepticism about the SALT-2 treaty, coupled with demands for amendments and collateral conditions, was one of the factors that bogged down the ratification process.

Of late, Mr. Kissinger has conveyed a more general condemnation of arms control. He has cast doubt on the value of reducing the scale of nuclear deployments. What difference does it make, he asks, whether there are 11,000 strategic warheads on each side or 6,000 as proposed at Reykjavik?

That is the wrong question. It makes little sense to think of these destructive capabilities only in narrow military terms. Even with 6,000 warheads each, the Soviet Union and the United States will retain physical power beyond imagining. The crucial question concerns likely political behavior in the presence of such force: Will the two governments be able to muster mutual restraint in a highly threatening environment characterized by large increases in deployments, perhaps to 15,000 weapons each in the early 1990s? Or will they facilitate restraint by cooperating to regulate a menace that they do not know how to eliminate?

Mr. Kissinger's current stance is nowhere so pernicious as in his astonishing revisionism toward the antiballistic missile treaty. He acknowledges, although he has not reviewed the documents, that the administration in which he served submitted the treaty to the Senate with a "narrow interpretation." But the former secretary of state asserts — mistakenly, as Senator Sam Nunn has now demonstrated authoritatively — that the Soviets adopted the "broad interpretation" from the outset and that the United States should do the same.

Does this mean that he and his associates did not know what they were doing in 1972 or that they misled the Senate by setting forth an interpretation of the treaty other than the one agreed to with the Soviets? Neither, one suspects. Rather, Mr. Kissinger's personal position has changed as he has come to look fondly on the Strategic Defense Initiative, another of the technologies that periodically excite his fancy.

To support his claim that the Soviets favored the broad interpretation, Mr. Kissinger refers to a single remark by the late Andrei Gromyko, then Soviet defense minister, who said that the treaty "imposes no limitations on the performance of research and experimental work."

That statement is scarcely different from the testimony by U.S. military officials who made clear the wide latitude for research and development in fixed sites on the ground. It is quite compatible with the fundamental interpretation presented by both governments at the time. As the acting foreign minister, Vasili Kuznetsov, said to the Soviet Parliament, "The sides pledge themselves not to create or develop ABM systems or components emplaced in the sea, the air or space, or of a mobile ground type."

Grasping at the Gromyko statement to justify reinterpretation of the treaty is less troubling, however, than the cavalier attitude of treaty revisionists toward American constitutional practice. To condone the notion that a president can sell a treaty on an interpretation that he or his successor can subsequently alter would render meaningless the Senate's power to offer advice and consent. That is not constitutional government; it is despotism.

There is a compelling argument that, for the United States, the only

lawful reading of the treaty is the one on which the Senate based its approval. If the executive branch wishes to reverse interpretations, the treaty itself provides for negotiated amendments to be considered by the Senate.

Mr. Kissinger's fluid posture on the treaty relates, of course, to his interest in the SDI. While denouncing that the Reagan administration devise a negotiating position that "reflects a long-range national strategy," he contends that such a strategy must include a prior commitment to proceed with SDI testing and deployment free of any qualitative restrictions.

After several years and billions of dollars, no one has begun to answer the most elementary questions of how America and the Soviet Union might make the transition to a new strategic relationship built on the SDI. What is known, to paraphrase Secretary of Defense Caspar Weinberger, is that if the Soviets were moving to install the kinds of SDI systems that Washington is seeking, the United States would be bound to expand its offensive capabilities dramatically. And I would add that if the Soviets were propounding the revisionist view of the ABM treaty to justify such actions, I would be leading the parade to announce U.S. withdrawal from the agreement.

What tragic irony if those who sold us MIRV as necessary to establish nonemission defenses now sold us the SDI as necessary to meet the thousands of warheads bred by MIRV!

Responsible policy must forswear technological escapism. What President Reagan needs to understand is that the ABM treaty already affords ample scope for exploring technologies that might some day play a role, but that his singular opportunity is to improve his successors' strategic options by beginning a process of agreed reductions in offensive forces. If he misses the opportunity to curb offenses, there is virtually no likelihood that defenses will be able to handle the continuing expansion and diversification of the threat.

I share Henry Kissinger's disapproval that all of us who have worked so long with the nuclear dilemma have not yet devised satisfactory remedies. But politics cannot indulge its frustrations by passing the buck to technology. If we are to escape strategic calamity, technology must be an instrument of diplomacy, not a substitute for it.

The Washington Post.

## Simple but True: We Agree to What We Asked For

By Kenneth L. Adelman

The writer is director of the U.S. Arms Control and Disarmament Agency.

WASHINGTON — For six years, critics have often blamed slow progress in arms control negotiations on intransigent "hard-liners" within the Reagan administration. This position was not only wrong (since Soviet intransigence has always been the problem) but had a fatal flaw: What could the critics say when significant progress emerged from these talks?

It took a writer of Charles Krauthammer's exceptional originality to solve this conundrum. His solution in "Look for a Treaty Before Summer's End," (March 9) is elegant in its simplicity, if somewhat jolting in its logic. It says: If you can't blame the Reagan hard-liners for the absence of progress in arms talks, then by all means blame them for the presence of progress.

The recent Soviet moves on intermediate-range nuclear forces, in effect, come close to embracing the original U.S. offer on INF. Yet, as Mr. Krauthammer would have it, the administration's favorable response to these moves is being orchestrated by "hard-line unilateralists" who "are tired of having to play psychiatrist and bodyguard to allies who ought to be defending themselves."

By contrast, those who are criticizing the administration for its receptivity to the shift in the Soviet position are true "Atlanticists" acting with the interests of NATO at heart. This is a change of pace. Not so many years ago, the Reagan administration was pronounced by some critics to be on the verge of wrecking NATO because it firmly resisted Soviet pressure for an inequitable arms control agreement. The alliance resisted the pressure, survived and was strengthened by the experience. Now, according to many of the same people, the United States is about to destroy NATO by accepting the INF agreement it originally proposed.

Mr. Krauthammer should recall that it was not "unilateralists" in the

United States but the "Atlanticists" in NATO who decided in 1979 that they would seek an arms control solution to the problem of the Soviet SS-20s. After the Soviets' unprovoked deployments of SS-20 missiles beginning in 1977, NATO arrived in 1979 at its famous "dual track" decision. This combined deployments of Pershing-2 and cruise missiles with efforts to achieve an arms agreement that would make these deployments (then four years away) unnecessary.

Always implicit in the dual-track decision was the notion that the United States could solve the SS-20 problem by the arms control track alone. That is, global elimination of Soviet long-range INF would mean no U.S. deployments — through an agreement that brought the long-range INF systems down to zero. President Ronald Reagan embodied this approach in 1981 in his "zero option."

Not only have NATO ministers met year after year to endorse this goal, but NATO leaders have strongly backed the current U.S. position. According to Mr. Krauthammer's categories, are Prime Minister Margaret Thatcher and NATO's secretary-general, Lord Carrington — both of whom, like other European leaders, speak in favor of this stance — "Atlanticists" or "unilateralists"?

Second, Mr. Krauthammer overlooks the vast majority of NATO nuclear systems, which would remain unaffected by an INF agreement. U.S. ground-based tactical nuclear weapons and nuclear weapons on both aircraft and submarines — as well as the 300,000 U.S. troops stationed in Europe — ensure the protection of Western Europe.

Proponents and opponents alike have been blowing the strategic and political significance of an INF agreement way out of proportion. An INF agreement is not going to solve wholesale the problem of East-West relations, nor given America's broad nuclear and non-nuclear commitment to NATO's defense, is it going to "decouple" America from Western Europe.

What a good agreement will do is solve the problem that NATO set out to solve in 1979, the problem of the SS-20 missiles targeted on NATO. The goal is to restore the status quo ante 1976 as regards INF systems and to improve on it, since the 600 SS-20s and SS-20s then targeted on Western Europe will be gone as well.

This is not to say that the remedy will be easily achieved. The two bottom-line issues for the United States, effective verification and equality in shorter-range INF, must be satisfactorily resolved. Both are important to U.S. friends and allies in Europe and Asia, as is relief from the triple-headed, mobile SS-20s.

So we are a long way from finished. But the subject has changed. The

question is no longer whether the Reagan administration is serious about arms control. That has been established. The question is whether the Soviet Union is going to be serious about glasnost when it comes to arms control and agree to the verification measures necessary to make an INF agreement meaningful.

As for Mr. Krauthammer's thought that an INF agreement is a plot by "hard-line unilateralists" to "save SDI," there is much less there than meets his eye. As Ralph Waldo Emerson once said, "In analyzing history, do not make too profound." The more mundane conclusion is that the United States is willing to accept the outcome that as a NATO ally it originally proposed — also has, in this instance, the benefit of being true.

The Washington Post.

## IN OUR PAGES, 75 AND 50 YEARS AGO

### 1912: U.S. Primaries

NEW YORK — Theodore Roosevelt's defeat in the New York primaries and in Indiana, Colorado and Mississippi made this a sad week for his campaign managers, who are now seeking to induce him to withdraw from the fight. Mr. Roosevelt's "boom" has suffered an almost complete collapse. On his trip through the West, he aimed vicious blows at President W.H. Taft and made statements that are interpreted as meaning that he will run independently if the Chicago Convention fails to nominate him. There is little change in the Democratic situation. The contest stands at 67 delegates for Speaker Champ Clark, 15 for Governor Woodrow Wilson of New Jersey, 30 for Governor Thomas R. Marshall of Indiana, 4 for Governor Judson Harmon of Ohio. But Governor Wilson is far in the lead in popular favor.

## A Statesman Is Needed For Greece

By Flora Lewis

LOS ANGELES — Prime Minister Andreas Papandreu of Greece has been edging up to the brink for years. He has been stirring nationalist feelings against Turkey, an easy task, and against the United States, which is a little harder but popular on the left, to bolster his internal position.

His policies have caused serious damage to the always-fragile Greek economy. But he has relied on nationalism, de Gaulle-style posturing on the international scene, to appeal to the emotional Greeks.

He tried pointing and blocking needed decisions in the Common Market for a time, and it worked to the point of winning large supports for Greek agriculture. But he cannot push further in that forum without risking the loss of the big payments.

Mr. Papandreu did not start Greece's troubles with NATO; they came as a result of the Turkish invasion of Cyprus. But he has regularly exacerbated them, promoting the view that the real threat to Greece comes not from the Soviet bloc but from an alliance member, Turkey. He has flirted with threats to shut down U.S. bases in Greece, which are truly important for security of the eastern Mediterranean, primarily to win more concessions from the United States in the balance of arms that it supplies to both Greece and Turkey.

Last week he threatened war with Turkey over the issue of a Turkish exploration ship preparing to sail to waters between Greek islands and the nearby Turkish coast. The crisis appears to have eased with Turkey's pledge to avoid the disputed waters. But Mr. Papandreu seems to think he can maintain control and manipulate the fervent public opinion as deliberately as a chess player.

Deeds of Byzantine glory and territorial ambition brought disaster to Greece after World War I. Nothing has changed the fact that Turkey is a big country, now with a population of 50 million, facing a small country, Greece, which has 10 million. Furthermore, the well-equipped, well-trained Turkish Army is more than three times bigger than Greece's.

Mr. Papandreu knows all this. No doubt he does not want war. He just wants to use the fear of war between allies in the most sensitive part of the Mediterranean to force American pressure on Turkey and make himself a hero to his disillusioned people.

A statesman would have sought to resolve the long-festering Greek-Turkish quarrel, the only one active among European allies. An offer of negotiations and reconciliation would serve the interests of both countries as well as the alliance as a whole.

But this is not Mr. Papandreu's style. On the contrary, he has brought his people to question the value of the alliance if it fails to put Greek interests ahead of those of Turkey, which borders the Soviet Union and guards the passage from the Black Sea to the Mediterranean for the Soviet Navy. It is illogical to create the impression that Greece would be safe facing Turkey alone, without allies, but it does stir the passions of the fiercely independent-minded Greeks.

As a part of his dramatic charade, Mr. Papandreu sent his foreign minister to Bulgaria. "It must be clear," Mr. Papandreu said, "that in the case of a military conflict there will be a drastic change both in the Balkan area and in the whole Western defense system, that is, in NATO." The implied threat was that in the event of a war, Greece would seek Bulgarian support, which in effect means Soviet support, and even perhaps Soviet alliances.

That would be a disaster for the West, and for Israel, but even more so for Greece. In his brinkmanship, Mr. Papandreu evidently did not consider the possibility that the United States might decide that the defense of an unwilling Greece was not worth the trouble and leave him to sort out the problems he has aggravated.

No doubt the prime minister is relying on the vocal, effective Greek lobby in the United States to save him from the consequences of his bravado. The Turks, who do not have a similar American ethnic constituency, are trying to create a rival lobby, appealing for help from the Israelis, who are masters of the art. Foolishly, in his desire to win Arab support against Turkey, Mr. Papandreu has allowed once cordial Greek-Israeli relations to sour.

It is bad enough to have these countries using internal American politics as a sounding board for the feuds. It would be a catastrophe to let the tensions get out of hand. Responsible Greeks should restrain their volatile prime minister. Or better, in their own interest, they should find a statesman to replace him.

The New York Times.

### 1937: Gandhi Warns

DELHI — Indian minority party leaders are now attempting to form governments in all the six provinces in which Mahatma Gandhi's Congress party obtained a clear majority in the recent national elections, only to refuse to assume the responsibility of governing on the grounds that the province governments declined to leave them a clear field for action. Discarding this situation at Madras (on March 30), Mahatma Gandhi stated: "The provincial governments are ending the autonomy given them. Henceforth the sword, and not the pen, will rule in India." Meanwhile, 19 men were killed and 42 wounded in a battle against Waziristan tribes on the Northwestern Frontier (on March 29). The tribesmen attacked the British force from ambush.



## OPINION

## Look Here, She Could Say, Don't Call Me First Madam

By A.M. Rosenthal

WASHINGTON — Right at the start, perhaps on Inauguration Day, the next first lady of the United States should ask government officials, press, television, diplomats and the whole country never to call her that.

It is high time. The whole first lady business is a place of a woman as to give her such fawning attention and mock-

## ON MY MIND

royal status because she married a man who was later elected to high office.

Denise Thatcher would never permit such indignity and neither, if that day arrives, would Evron Kirkpatrick. Simply raising the possibility of a first gentleman shows what an insult to women the phrase and concept of first lady is.

The phrase did not become widely used until 1911, when a play about Dolley Madison called "The First Lady of the Land" opened. With time, the simpering emphasis on reflected glory has become more and more embarrassing.

Most women in America now have professions, trades or crafts. That includes the higher-income, higher-education group from which the wives of presidents generally come. Those who do should go on working, as best they can.

It will be difficult because of security problems and potential conflicts of interest. But making the plea for dropping the first lady label will be the first step. The second will be for the wife of the president to show that she wants her individuality by staying away from all functions except where her absence would be damaging or rude. This would show that she will do her social duty but really does not want to play the publicity game. Eventually, an egalitarian public

will admire her for it and make that clear to television and newspapers.

If Senator Robert Dole is smart enough to be elected, he will be smart enough to make sure that Elizabeth Dole, who was good enough to be a cabinet member under his predecessor, is allowed to find a responsible job.

Wifehood? Only if you feel that every woman has to give up her career because her husband has power. Obviously, if it is a government job it should be one of public accountability.

Elise du Pont, the wife of the former Delaware governor, is a real estate developer. If she avoids publicly funded developments, why not? Anyway, she is a lawyer, like Hattie Babbitt, the wife of the former Arizona governor, and it would be easy to get long lists of organizations that are dying for lawyers who will not give them bills that look like telephone numbers. If security gets in the way, plenty of work can be done at home.

Ernestine Schiass, who is married to Senator Bill Bradley, could go right on teaching German and comparative literature at Montclair State College in New Jersey, unless she would like a job closer to home. There are fine colleges in Washington. If the security problem is too great, there is nothing wrong with holding classes in the White House.

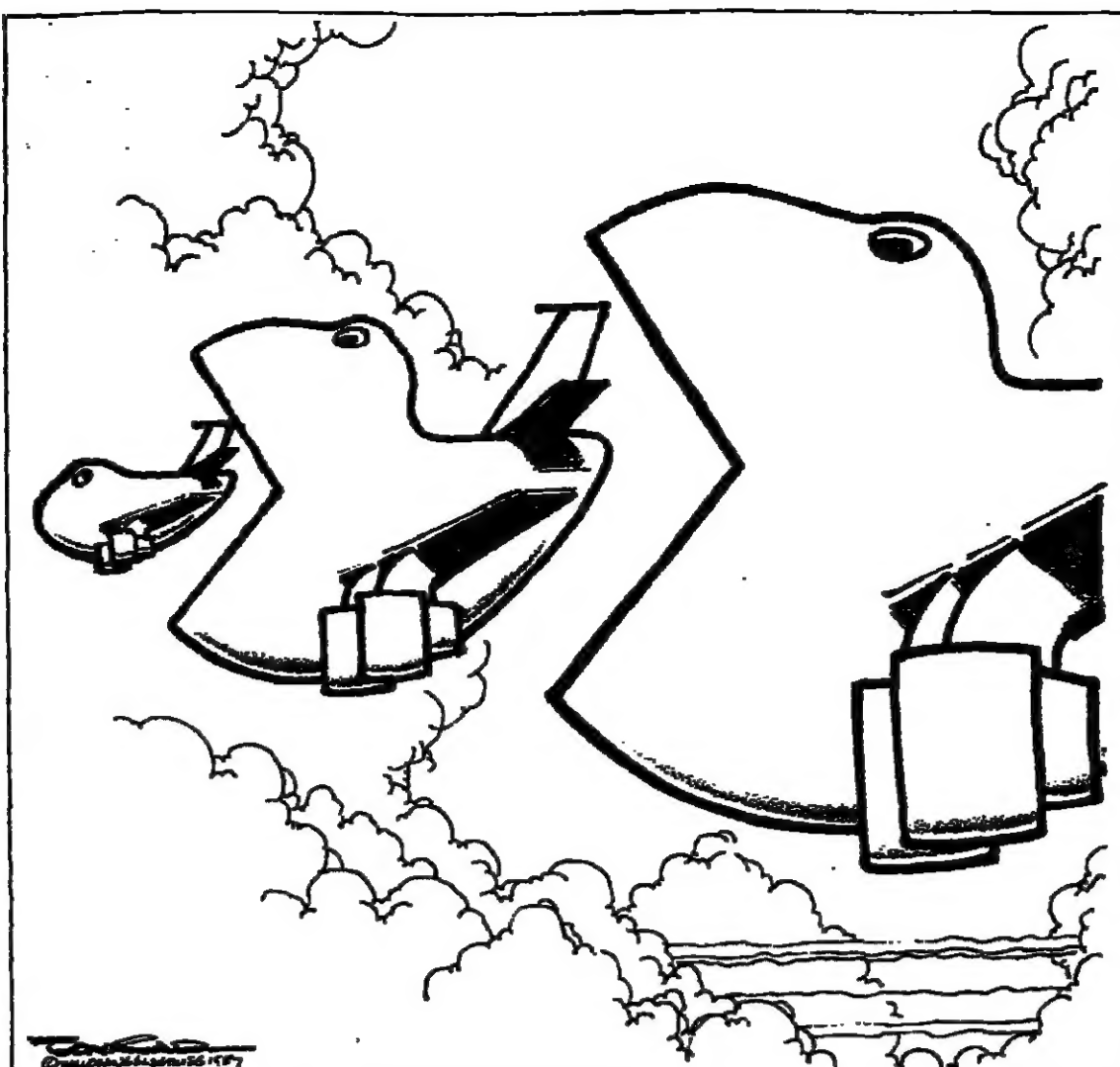
Women who decided when they were young that raising a family was more important to them than being a lawyer deserve the respect of individuality too, not the false lowering to a false title. Many would have interests in the home, or child care, or refugees, where there is a whole world of volunteerism awaiting. And the wife of the president could show that being a volunteer means more than making an occasional speech or posing for photographs. Like many volunteers, she would work hard, with the regularity that distinguishes the volunteer from the dilettante.

Of course, the wife of the president will tell him what she thinks of the secretary of state and farm subsidies. When they go up to their living quarters at night, is she supposed to talk about dresses and handbags? Any man who married a woman that would should not be president.

But that is a phony issue that has come up with the fuss about Nancy Reagan. Her critics do not complain about what she tells him in private but about what they see as her campaigning for her point of view. Perhaps Mrs. Reagan, able in her own right, would have been better off if she had devoted even more time to her interest in fighting narcotics.

So, on a volunteer basis, here is the announcement that the wife of the next president should make: "Friends, call me Mrs. or call me Ms. Call me doctor or call me counselor. Call me gentle or call me tough. But don't pat my head and don't call me first lady."

The New York Times



## Air Today, Gone Tomorrow, But It's Always Roy Cooper

By Ben Kamin

CLEVELAND — Not long ago, I presented myself to an agent at the New York Air counter. This was hardly unusual, since my plane ticket was tucked inside a bright-red folder marked "New York Air." But I was in a tentative mood, so I asked, "Is this New York Air?" The ticket agent eyed me with suspicion. What planet did I live

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on? Solemnly he answered, "Sir, there is no such thing as New York Air." My caution had not been misplaced.

I had heard something about mergers and takeovers. But the gravity with which the agent had vaporized New York Air concerned me. "Is there," I asked, "a New York City?" He allowed there was.

In time, I boarded a Continental Airlines flight while holding a New York Air ticket from which protruded a boarding pass marked People Express. Inside the generic jet, I was handed a red bag marked "Flying Nosh," with New York Air napkins and salt packets from Texas Air. The checkbook was Swiss. Curious to know who it was I was flying with, I awaited the captain's announcements.

"Good afternoon, ladies and gentlemen. This is your captain, Roy Cooper." (For as long as I can remember, the pilot on domestic flights is always Roy Cooper.) "We want to welcome you aboard our Big Apple Flight 397 to New York."

It is the late 1980s in the United States, which produced the Wright brothers, Amelia Earhart and Mileage

Plus. You used to get dressed up, board a plane with delightful nervousness and be asked if this was your first time by an attendant. Now even the attendants seem uncertain about the identity of their employers. Seasoned travelers know not to ask a living soul which plane is going to turn up in what landing space. They consult the monitor.

Not long ago, for example, I was waiting for a colleague at the airport. TWA Flight 612 was about to land. I began to watch for a TWA jet among the landings. American, United, two private Cessnas, Ozark, Midway, USAir. An announcement came: "Ladies and gentlemen, Flight 612 has landed and will appear at the gate momentarily." But I had not seen a TWA airliner make an approach.

"Excuse me," I said to an agent at the ticket counter, "Is there anywhere else the planes land?"

"No, sir," he replied cheerfully. "You can see it all from these windows."

"So where is Flight 612?"

He did not look up. "612 is already here, sir. Passengers are disembarking." Baffled, I returned to the window. There at the gate was TWA Flight 612. The plane was green, and marked "Ozark." Silly me, expecting aviation verisimilitude. Why, TWA and Ozark had mated, and I never even knew! There had not even been a monitor overhead to give me the news.

At this writing, of course, everything may be changing again.

The New York Times

## LETTERS TO THE EDITOR

## The Pace Is Picking Up

Your editorial "Europe of the Snails" (March 24), published the day before the European Community's 30th anniversary, is too pessimistic. The advent of the Single Act to achieve an integrated European economy by 1992, and of qualified majority voting by the EC Council of Ministers on all matters concerning our 320-million-member community, is imminent. This must surely provide the turbulence necessary to increase the snail's pace you criticize.

WILLIAM G. POETON,  
Vice-President,  
EC Economic and Social Committee,  
Brussels.

## Just One Spy Per General?

Rafael Eitan, the alleged spy master in the Pollard case, is more accurately Lieutenant General Rafael Eitan, retired, former Israeli Army chief of staff.

His removal from that post and his retirement to civilian life came in 1983 after the Kahane Commission Report found him, along with others, indirectly

responsible for the massacre at the Sabra and Chatila refugee camps in 1982.

Identifying him more fully provides a better perspective on the Pollard affair. Would a retired general, a former chief of staff, run a "rogue operation" from within the Israeli Defense Ministry without the knowledge or encouragement of the very top of the Israeli government? And would such a man operate a unit which had only one spy?

J.E. MARSH,  
Limassol, Cyprus.

## Not Missing in Action

Time after time, in articles referring to the hostages in the Middle East, I read that so-and-so was "captured." As I see this heinous crime, it is "abducted" or "kidnapped." The victims are not soldiers.

JACK NUSBAUM,  
Torremolinos, Spain.

## What About the World?

After reading A.M. Rosenthal's "One Question for Cuomo: What About the Country?" (Feb. 27), I would add, as a

non-American: What about the world?

What I know about Governor Mario Cuomo of New York shows him to be not only a brilliant politician and administrator but also a compassionate man, capable of morality without dogmatism. He has the stuff to make a great president — precisely what America, and the world, needs.

With President Cuomo, the Third World would have had a fair deal.

JULIO AMORIN,  
Maroua, Cameroon.

## On America's Death Rows

Some Americans may feel perplexed that Amnesty International, as you reported on Feb. 20, is drawing attention to the 1,836 inmates on U.S. death rows at the end of 1986. Why, when so many atrocities are committed in other countries on so large a scale? Perhaps it is because the United States is where the individual is best protected against the state by legal guarantees and vociferous pressure groups, and where freedom of speech ensures that sooner or later so much comes to light.

If there is any country in which the death penalty can be applied fairly, one would expect it to be there, yet it seems to have been amply demonstrated that this is not the case. This total and irreversible punishment strikes only 2 to 3 percent of convicted murderers, and those unlucky few are overwhelmingly among the poor and the minorities.

The years of waiting on death row amount to torture, although the wait results from a laudable desire to make no mistakes. Even so, hundreds of people have been wrongly condemned to death in the United States since 1900.

VENDLA MEYER,  
Bures-sur-Yvette, France.

## Vapors on the Vaporetto

I agree with William S. Crain (Letters, Feb. 17) about how irritating cigarette smoke is to nonsmokers. The other day on the vaporetto a man left a lit cigar on the railing next to me. As soon as he went inside the cabin I chucked it into the lagoon: instant sweet revenge.

ANDREA STIPPEL,  
Venice.

## Literacy Isn't So Simple

The editorial "For Rebirth at UNESCO" (March 18) sees a very rudimentary role for UNESCO. Literacy campaigns have long been an obvious development activity of the organization. One lesson has been the need for a sector-wide approach within a broad strategy of institutional development related to a country's assistance requirements.

Sustained literacy requires increased motivation of people for its practical use. News material, textbooks and personal and professional information in printed form are needed for the creation of a reading environment, with a printing and publishing sector.

G. NAESELSUND,  
Paris.

## Starting the Day With Dan

Thanks are due to France's Canal Plus for bringing us the daily rebroadcast of Dan Rather's "CBS Evening News." It's a great way to start the day.

THEODORE R. FRONTENAC,  
Montreal, France.

## ARTS / LEISURE

## The Can Man's Synthesis

By Mike Zwerin

PARIS — Irmin Schmidt, a founding father of the group Can and the synthesizer-obsessed "Kraut Rock" school which emerged with it, says he's fed up with synthesizers. "I'm quite happy to be playing my Steinway again. I've always been a late 19th century man at heart."

His new album, "Musk At Dusk" journeys from tango to reggae, to Ziggy Stardust, a touch of salsa, of Mahler, a Viennese waltz, through serial patches by way of Dixieland and cool jazz, the Broadway song form, Erik Satie, a gypsy violin solo and a gamelan orchestra. This, he insists, has nothing to do with eclecticism.

"It's just an enlarged view of culture. We now have at our disposal the entire musical spectrum. The folk music of Bali is only one element of planetary sound. Everything is really part of the same tradition."

He took avant-garde music workshops with Earle Brown, Karlheinz Stockhausen and John Cage in the early 1960s in his native Cologne. He studied conducting at the Mozarteum in Salzburg and was then appointed conductor at the theater in Aachen in 1965. He gave piano recitals. The following year, in New York, competing in the Dimitri Mitropoulos competition for young conductors, he heard La Monte Young, the Velvet Underground, the Mothers of Invention and Jimi Hendrix and got "totally messed up."

"I forgot about the competition," says Schmidt. "I hung out with the Warhol crowd in the Chelsea Hotel instead of going to re-

hearsals. I spent nights in Terry Riley's loft on the Bowery, we played his stuff together. I left New York thinking I must find something different to do."

Schmidt was still described as a Kapellmeister in the Cologne phone book when he formed Can in 1968 and discovered the joys and hazards of "instant composing." This was not improvisation, which has jazz connotations, implying a tune or a structure. Can was "totally unplanned; we'd come out on stage without an arrangement, style or even a tonality in mind. Sometimes we'd start in three different keys. Whoever had the strongest idea took the lead. Everybody tried to guess what the next guy was going to play. It was like a school for telepathy. Endings could be disastrous."

The German rock groups Tangerine Dream and Kraftwerk were still playing guitars, electric or acoustic pianos, flutes and violins — the synthesizer as a performing instrument was just being born.

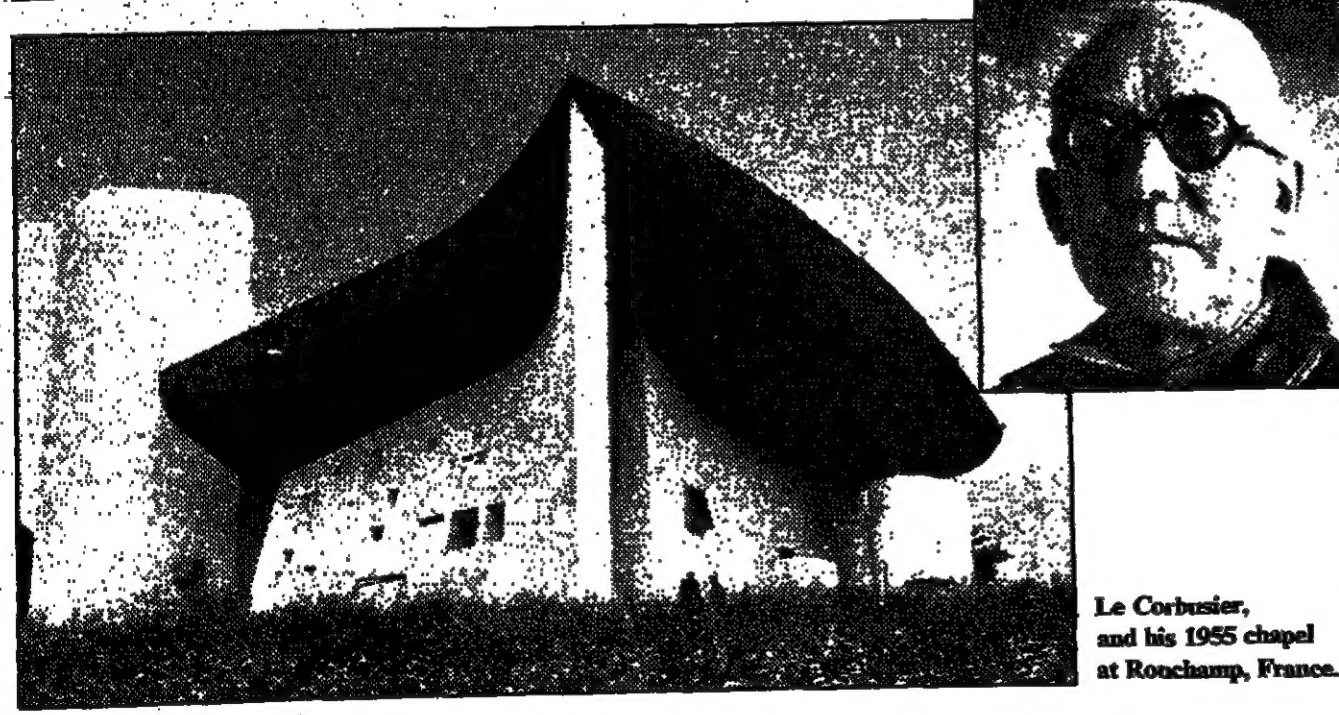
"At the time there was only the very first model Moog on the market," Schmidt recalls. "You had to patch it to change textures and to wear earphones to hear what the hell the thing was doing. I used to watch the synthesist on stage wildly plugging wires into holes while the rest of the band waited for him to find 'the sound.' Then he'd smile. He'd found it — 'gloob gloob glub.'"

The group would be quite happy to see him put his earphones back on and look for the next sound so they could go on playing music. That was not what I was after."

With the help of an engineer, Schmidt developed "this 'legendary' Alpha 77, a sort of custom-



Irmin Schmidt: Back at his Steinway.



Le Corbusier, and his 1955 chapel at Ronchamp, France.

## Le Corbusier the Masterbuilder

By Paul Goldberger

New York Times Service

LONDON — Le Corbusier never built a building in England. Yet his influence in this country far exceeded that in France, where he lived for most of his adult life. Far more than any English architect, Le Corbusier shaped postwar English architecture. So it is fitting that in this centennial year of his birth it is here that the most impressive celebration is being mounted.

The homage comes in the form of an immense exhibition that opened this month, called "Le Corbusier: Architect of the Century." It consists of a vast array of original drawings and sketches, vintage and recent photographs, plans and models, sprawled over several floors of the Hayward Gallery. The Hayward, a brutalist concrete museum on the south bank of the Thames, is itself a demonstration of the great sway Le Corbusier's ideas held over the English.

The exhibition, which was organized by the Arts Council of Great Britain in cooperation with the Fondation Le Corbusier in Paris, ranges over the architect's entire career, from its beginnings in Switzerland around 1907, to works still under construction at the time of his death in 1965.

Le Corbusier was one of the greatest architects of all time, and also one of the most problematic thinkers.

The exhibition tries hard to play to the architect's strengths, but it becomes not a little defensive when the subject turns to Le Corbusier's

Achilles' heel, his theories about the city and the designs he made in the late 1920s and early 1930s for the replacement of vast sections of Paris with a new city of tall slabs set amid open space and wide motorways. That is a model that was never realized as Le Corbusier envisioned it, of course — but in corrupted form it came to be the theme of virtually every urban renewal project in every American downtown, as the messy and complex fabric of the traditional city gave way to a new landscape of towers, open space and freeways.

What does the exhibition make of this? "A careful reading of Le Corbusier's urban projects should have revealed the disastrous implications of some of his ideas and the farsighted realism of others," proclaims the wall text. It was our fault then, not Le Corbusier? We can hardly hold Le Corbusier responsible for every wretched tower that replaced a worthy old neighborhood. But he can hardly be let off the hook so easily, either. For his urban plans revealed a deep hatred of the traditional, dense, heterogeneous city, a determination to replace what he called "the present brutality, squalor, stupidity" with something pure, ordered and rational. And his thinking set the tone for, and gave justification to, a vast amount of work produced by lesser talents.

It is with relief, then, that one turns toward the sections of the exhibition that deal with Le Corbusier's individual buildings and not with his urban theories. For here

both the architect and the exhibition are on more comfortable ground, presenting material that seems, as this century draws to a close, only to grow in stature. The first section, entitled "Six Houses," includes several houses that are unquestionably among the great works of the century: the Villa Stein and the Villa Savoy, the monuments of Le Corbusier's purist, white architecture period from the late 1920s, and the Maisons Jaoul, the twin houses from the early 1950s of rough-hewn masonry and vaulted concrete ceilings that inspired a generation of "brutalist" buildings in England and elsewhere.

This section opens, however, with a surprise, a little-known house that Le Corbusier designed in 1907 in Switzerland. It was provincial in tone, with a vague air of the Arts and Crafts movement to it, and it is almost sweet. It is only with the next house, the Villa Schwob of 1917, that the great power we associate with Le Corbusier began to assert itself.

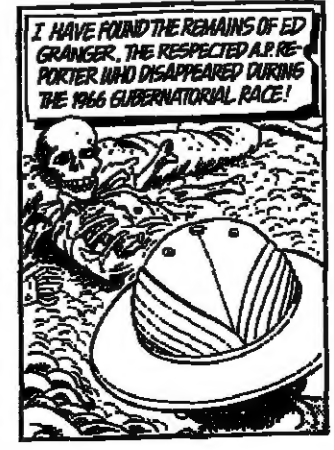
We see that all the more in the drawings, which often show the evolution of familiar projects from initial concepts to completed versions. The exhibition is rich in such documentation, not only of smaller projects — some remarkable early drawings of the Villa Stein show that this house, with its celebrated asymmetrical facade, actually began as a symmetrical composition — but also of larger and more monumental architecture. If the section entitled "The Architect as Artist" is

a bit tiresome — Le Corbusier was a good painter, but the only effect of seeing canvases after canvases is to remind us that he was not Leger — the section called "The Sacred and the Search for Myth" makes up for it. Here are the chapel at Ronchamp, France, of 1955, and the monastery of La Tourette, France, of 1959, two of the most moving and powerful religious structures of our time. Here, on Ronchamp, that highly expressionistic, romantic form that seemed in so many ways to break away from the rigor and harshness of Le Corbusier's earlier work, the anonymous wall text suddenly becomes wise: "Puritans complain about the ambiguity of the structural expression. Puritans object to its sensuality. Ronchamp simply overrules these criticisms with its effortless grace."

There could be no better final word, not only for this building but for all of Le Corbusier's career. His architecture was a profound exploration of form and space and light, as deep and mystical, in its way, as any religious quest. His utopian polemics about modern architecture mean less and less as time goes on, and we are left just with his buildings. They were masterworks of this century, and at his centennial, the Hayward Gallery has done them honor.

The exhibition will remain on view through June 6. It is accompanied by an exceptionally handsome and thorough catalogue that follows the thematic organization of the exhibition.

## DOONESBURY





NYSE Most Actives					
	Vol.	High	Low	Last	Chg.
Corning Inc	29100	29 1/2	29 1/4	29 3/8	+ 1/8
IBM	27250	122 1/2	122 1/4	122 1/2	+ 1/4
AT&T	21622	23 1/2	23 1/4	23 1/2	+ 1/4
SumSunk	20670	8	7 3/4	8	+ 1/4
GenCorp	19100	46 1/2	46 1/4	46 1/2	+ 1/4
AmElex	17130	75 1/4	74 3/4	75 1/4	+ 1/4
GenCorp	17114	45 1/2	45 1/4	45 1/2	+ 1/4
GenErl	16254	102 1/2	102	102 1/2	+ 1/4
ScotBldg	15816	28 1/2	28 1/4	28 1/2	+ 1/4
GenCorp	15616	28 1/2	28 1/4	28 1/2	+ 1/4
Exxon	13998	55 1/2	55 1/4	55 1/2	+ 1/4
F&P&P	13750	77 1/2	77 1/4	77 1/2	+ 1/4
Bank	13738	77 1/2	77 1/4	77 1/2	+ 1/4
PrudPlc	13722	77 1/2	77 1/4	77 1/2	+ 1/4
MtMell	13613	14 1/4	13 3/4	14 1/4	+ 1/4

Dow Jones Bond Averages		
	Prev. Close	Today mean
Bonds	92.85	92.85
Utilities	77.24	77.24
Industrials	94.83	94.79

Market Sales		
NYSE 3 p.m. volume	182,340,000	
NYSE prev. cons. close	213,428,270	
Amex 3 p.m. volume	12,256,000	
Amex prev. cons. close	17,025,000	
Prev. OTC 4 p.m. volume	n.a.	

NYSE Diary		
	Close	Prev.
Advanced	232	461
Declined	150	1722
Unchanged	1259	1689
Total Issues	1992	3969
New Hqs.	21	86
New Lists	26	11

NYSE Index				
	High	Previous Low	Close	Today's P.M.
Composite	176.65	168.37	168.37	168.37
Industrial	282.27	262.25	262.25	195.19
Transport	16.24	15.25	15.24	13.65
Utilities	77.97	77.22	77.22	75.94
Finance	162.14	161.01	161.00	157.92

Odd-Lot Trading in N.Y.			
	Buy	Sales	'87/11
March 27	332,444	567,087	1,127
March 26	277,522	615,717	1,031
March 25	371,691	691,763	1,063
March 24	433,718	698,135	3,625
March 23	403,498	610,777	3,474

\*Includes in the sales figures

**Monday's**  
**NYSE**  
**Closing**  
*Via The Associated Press*

	Open	High	Low	Last	Chg.
Index	2294.04	2303.41	2282.26	2276.41	- 57
Trans	912.26	927.23	888.96	913.91	- 26
Util	213.7	214.65	212.71	213.11	- 10
Comp	\$44.65	\$43.58	\$36.46	\$32.32	- 20

	Class	Prev
Advanced	121	25
Declined	54	23
Unchanged	546	53
Total Issues	741	
New Highs	22	
New Lows	13	

Standard & Poor's Index			
	Previous		Total
	High	Low	Close
Industries	346.6	340.71	345.24
Transportation	292.96	288.49	294.09
Utilities	118.25	117.57	117.43
Chemicals	111.21	106.2	107.25
Finance	351.41	346.28	350.13
SP 500	301.43	298.38	299.04

	Prev	Today	Week
	Close	3 Mth.	Ago
Comcast	454.85	427.99	429.14
Hydrex	401.34	449.75	452.79
Pharmacia	550.37		552.04
Insurance	554.14		567.25
Utilities	378.48		383.50
Banks	516.40		528.44
Tranp.	442.57		447.05

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### To Our Readers

Because of the seven-hour time difference between New York and Paris until April 5, some items in the Market Summary above are from 3 P.M. New York time instead of the usual 4 P.M. Also because of the time difference, some other items elsewhere in the Business section are from the previous day's trading.

We regret the inconvenience, which is necessary to meet distribution requirements.

**MARKET: Dow Off 57.39 After Panic Selling**

(Continued from Page 1)

lengthy correction. Instead, many observers breathed a sigh of relief at the downturn.

Stock prices have been setting a record pace since the start of the year, periodically leaving analysts at a loss to explain a resilient rally in the face of poor fundamentals. Many analysts had suspected a correction was in the offing, although the timing was never certain.

A. Marshall Acuff, portfolio strategist at Smith Barney Harris Upham & Co., agreed. "It's been much expected and much anticipated," he said. There is little likelihood that the decline will be sustained unless the dollar's exchange rate dropped significantly in the days

By the close of the NYSE, declines steamrollered advances 1,521-222. The average share was off 98 cents.

Volume was 207 million shares, compared with 184.4 million Friday.

Conrail was the most active NYSE-listed

12 Month		Stock	Div.	Yld.	P/E	52-Week		Close	
High	Low					High	Low	Quar.	Ch'ge
45	22	213 1/4	22	+	W				

issue at 3 P.M., off slightly in its third day of trading.

Harper & Row jumped 8 1/4 to 64 1/4 after Rupert Murdoch's News Corp. announced an agreement to buy the publisher for \$65 a share, or \$284 million.

American Express, trading ex dividend, was off in heavy trading. American Express filed with the Securities and Exchange Commission to conduct a public offering of up to 20 million shares in its Shearson Lehman Brothers brokerage subsidiary.

Other blue chips were mostly lower. General Electric, General Motors, Coca-Cola and Philip Morris all were losing. USX was up.

were mostly falling. Digital Equipment, Cray Research, Motorola, National Semiconductor and Unisys were lower. Texas Instruments was the exception, up.

Most oil issues were lower. Occidental Petroleum, Texaco, Exxon, Mobil and Chevron were falling. Phillips Petroleum was unchanged, after recovering from an earlier loss.

Drug stocks were lower. Squibb, Schering Plough, Upjohn, Eli Lilly, Baxter Travenol and Johnson & Johnson were off.

led the actives, followed by Wickes and Wan, Laboratories class B. All were lower.

[illegible]

Michael Sherman, portfolio strategist for Shearson Lehman Brothers, said that investors had been looking for an acceptable reason to take profits for weeks and that many of his institutional clients were accumulating cash in anticipation of a correction.

"The market latched on to the trade war," he said. "There is almost a spasmodic sense of relief."

A. Marshall Acuff, portfolio strategist at Smith Barney Harris Upham & Co. agreed. "It's been much expected and much anticipated," he said. There is little likelihood that the decline will be sustained unless the dollar's exchange rate dropped significantly in the days ahead.

By the close of the NYSE, declines steamrolled advances, 1,521-222. The average share was off 98 cents.

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Courtail was the most active NYSE-listed

12 Month High	Low	Open	1/4	1/2	3/4	1	1 1/4	1 1/2	1 3/4	2	2 1/4	2 1/2	2 3/4	3	3 1/4	3 1/2	3 3/4	4	4 1/4	4 1/2	4 3/4	5	5 1/4	5 1/2	5 3/4	6	6 1/4	6 1/2	6 3/4	7	7 1/4	7 1/2	7 3/4	8	8 1/4	8 1/2	8 3/4	9	9 1/4	9 1/2	9 3/4	10	10 1/4	10 1/2	10 3/4	11	11 1/4	11 1/2	11 3/4	12	12 1/4	12 1/2	12 3/4	13	13 1/4	13 1/2	13 3/4	14	14 1/4	14 1/2	14 3/4	15	15 1/4	15 1/2	15 3/4	16	16 1/4	16 1/2	16 3/4	17	17 1/4	17 1/2	17 3/4	18	18 1/4	18 1/2	18 3/4	19	19 1/4	19 1/2	19 3/4	20	20 1/4	20 1/2	20 3/4	21	21 1/4	21 1/2	21 3/4	22	22 1/4	22 1/2	22 3/4	23	23 1/4	23 1/2	23 3/4	24	24 1/4	24 1/2	24 3/4	25	25 1/4	25 1/2	25 3/4	26	26 1/4	26 1/2	26 3/4	27	27 1/4	27 1/2	27 3/4	28	28 1/4	28 1/2	28 3/4	29	29 1/4	29 1/2	29 3/4	30	30 1/4	30 1/2	30 3/4	31	31 1/4	31 1/2	31 3/4	32	32 1/4	32 1/2	32 3/4	33	33 1/4	33 1/2	33 3/4	34	34 1/4	34 1/2	34 3/4	35	35 1/4	35 1/2	35 3/4	36	36 1/4	36 1/2	36 3/4	37	37 1/4	37 1/2	37 3/4	38	38 1/4	38 1/2	38 3/4	39	39 1/4	39 1/2	39 3/4	40	40 1/4	40 1/2	40 3/4	41	41 1/4	41 1/2	41 3/4	42	42 1/4	42 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1/2	157 3/4	158	158 1/4	158 1/2	158 3/4	159	159 1/4	159 1/2	159 3/4	160	160 1/4	160 1/2	160 3/4	161	161 1/4	161 1/2	161 3/4	162	162 1/4	162 1/2	162 3/4	163	163 1/4	163 1/2	163 3/4	164	164 1/4	164 1/2	164 3/4	165	165 1/4	165 1/2	165 3/4	166	166 1/4	166 1/2	166 3/4	167	167 1/4	167 1/2	167 3/4	168	168 1/4	168 1/2	168 3/4	169	169 1/4	169 1/2	169 3/4	170	170 1/4	170 1/2	170 3/4	171	171 1/4	171 1/2	171 3/4	172	172 1/4	172 1/2	172 3/4	173	173 1/4	173 1/2	173 3/4	174	174 1/4	174 1/2	174 3/4	175	175 1/4	175 1/2	175 3/4	176	176 1/4	176 1/2	176 3/4	177	177 1/4	177 1/2	177 3/4	178	178 1/4	178 1/2	178 3/4	179	179 1/4	179 1/2	179 3/4	180	180 1/4	180 1/2	180 3/4	181	181 1/4	181 1/2	181 3/4	182	182 1/4	182 1/2	182 3/4	183	183 1/4	183 1/2	183 3/4	184	184 1/4	184 1/2	184 3/4	185	185 1/4	185 1/2	185 3/4	186	186 1/4	186 1/2	186 3/4	187	187 1/4	187 1/2	187 3/4	188	188 1/4	188 1/2	188 3/4	189	189 1/4	189 1/2	189 3/4	190	190 1/4	190 1/2	190 3/4	191	191 1/4	191 1/2	191 3/4	192	192 1/4	192 1/2	192 3/4	193	193 1/4	193 1/2	193 3/4	194	194 1/4	194 1/2	194 3/4	195	195 1/4	195 1/2	195 3/4	196	196 1/4	196 1/2	196 3/4	197	197 1/4	197 1/2	197 3/4	198	198 1/4	198 1/2	198 3/4	199	199 1/4	199 1/2	199 3/4	200	200 1/4	200 1/2	200 3/4	201	201 1/4	201 1/2	201 3/4	202	202 1/4	202 1/2	202 3/4	203	203 1/4	203 1/2	203 3/4	204	204 1/4	204 1/2	204 3/4	205	205 1/4	205 1/2	205 3/4	206	206 1/4	206 1/2	206 3/4	207	207 1/4	207 1/2	207 3/4	208	208 1/4	208 1/2	208 3/4	209	209 1/4	209 1/2	209 3/4	210	210 1/4	210 1/2	210 3/4	211	211 1/4	211 1/2	211 3/4	212	212 1/4	212 1/2	212 3/4	213	213 1/4	213 1/2	213 3/4	214	214 1/4	214 1/2	214 3/4	215	215 1/4	215 1/2	215 3/4	216	216 1/4	216 1/2	216 3/4	217	217 1/4	217 1/2	217 3/4	218	218 1/4	218 1/2	218 3/4	219	219 1/4	219 1/2	219 3/4	220	220 1/4	220 1/2	220 3/4	221	221 1/4	221 1/2	221 3/4	222	222 1/4	222 1/2	222 3/4	223	223 1/4	223 1/2	223 3/4	224	224 1/4	224 1/2	224 3/4	225	225 1/4	225 1/2	225 3/4	226	226 1/4	226 1/2	226 3/4	227	227 1/4	227 1/2	227 3/4	228	228 1/4	228 1/2	228 3/4	229	229 1/4	229 1/2	229 3/4	230	230 1/4	230 1/2	230 3/4	231	231 1/4	231 1/2	231 3/4	232	232 1/4	232 1/2	232 3/4	233	233 1/4	233 1/2	233 3/4	234	234 1/4	234 1/2	234 3/4	235	235 1/4	235 1/2	235 3/4	236	236 1/4	236 1/2	236 3/4	237	237 1/4	237 1/2	237 3/4	238	238 1/4	238 1/2	238 3/4	239	239 1/4	239 1/2	239 3/4	240	240 1/4	240 1/2	240 3/4	241	241 1/4	241 1/2	241 3/4	242	242 1/4	242 1/2	242 3/4	243	243 1/4	243 1/2	243 3/4	244	244 1/4	244 1/2	244 3/4	245	245 1/4	245 1/2	245 3/4	246	246 1/4	246 1/2	246 3/4	247	247 1/4	247 1/2	247 3/4	248	248 1/4	248 1/2	248 3/4	249	249 1/4	249 1/2	249 3/4	250	250 1/4	250 1/2	250 3/4	251	251 1/4	251 1/2	251 3/4	252	252 1/4	252 1/2	252 3/4	253	253 1/4	253 1/2	253 3/4	254	254 1/4	254 1/2	254 3/4	255	255 1/4	255 1/2	255 3/4	256	256 1/4	256 1/2	256 3/4	257	257 1/4	257 1/2	257 3/4	258	258 1/4	258 1/2	258 3/4	259	259 1/4	259 1/2	259 3/4	260	260 1/4	260 1/2	260 3/4	261	261 1/4	261 1/2	261 3/4	262	262 1/4	262 1/2	262 3/4	263	263 1/4	263 1/2	263 3/4	264	264 1/4	264 1/2	264 3/4	265	265 1/4	265 1/2	265 3/4	266	266 1/4	266 1/2	266 3/4	267	267 1/4	267 1/2	267 3/4	268	268 1/4	268 1/2	268 3/4	269	269 1/4	269 1/2	269 3/4	270	270 1/4	270 1/2	270 3/4	271	271 1/4	271 1/2	271 3/4	272	272 1/4	272 1/2	272 3/4	273	273 1/4	273 1/2	273 3/4	274	274 1/4	274 1/2	274 3/4	275	275 1/4	275 1/2	275 3/4	276	276 1/4	276 1/2	276 3/4	277	277 1/4	277 1/2	277 3/4	278	278 1/4	278 1/2	278 3/4	279	279 1/4	279 1/2	279 3/4	280	280 1/4	280 1/2	280 3/4	281	281 1/4	281 1/2	281 3/4	282	282 1/4	282 1/2	282 3/4	283	283 1/4	283 1/2	283 3/4	284	284 1/4	284 1/2	284 3/4	285	285 1/4	285 1/2	285 3/4	286	2
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with the Securities and Exchange Commission to conduct a public offering of up to 20 million shares in its Shearson Lehman Brothers brokerage subsidiary.

Other blue chips were mostly lower. General Electric, General Motors, Coca-Cola and Philip Morris all were falling. USX was up.

Other techies were falling. Semiconductor issues were mostly falling. Digital Equipment, Cray Research, Motorola, National Semiconductor and Unisys were lower. Texas Instruments was the exception, up.

Most oil issues were lower. Occidental Petroleum, Phillips, Exxon, Mobil and Chevron were falling. Phillips Petroleum was unchanged, after recovering from an earlier loss.

Drug stocks were lower. Squibb, Schering-Plough, Upjohn, Eli Lilly, Baxter Travenol and Amgen were lower. Wyeth was off.

On the American Stock Exchange, Texas A&M led the actives, followed by Wickes and Wal-Mart. Laboratories class B. All were lower.

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# NEW STANDARD



# West Germany: Reluctant Giant

## IN THE NEWS

### Jan. 1: Birthday Boycott

The 750th anniversary of Berlin begins amid Allied concern over the year's scheduled celebrations. The United States, Britain and France boycott East Germany's ceremony and express concern about a possible visit by West Berlin's mayor to East Berlin on Oct. 23.

### Jan. 20: Beirut Kidnapping Linked to Terror Suspect

The government announces that the kidnapping of two West Germans in Beirut is linked to the case of a suspected Lebanese terrorist arrested at the Frankfurt airport on Jan. 13. Reports say that the pro-Iranian Shiite group Hezbollah had demanded the release of Mohammed Ali Hamadei, sought by the United States for alleged participation in the hijacking in 1985 of a Trans World Airlines jet and the murder of an American passenger.

### Jan. 25: Kohl Wins Again

Chancellor Helmut Kohl's center-right coalition wins a parliamentary majority, renewing its mandate for four years. But Mr. Kohl's Christian Democrats and their Bavarian sister party, the Christian Social Union, made their weakest showing since 1949.

### Feb. 22: Bonn Responds

To Group of Seven  
At the Group of Seven meeting in Paris, Bonn promises to increase a planned \$5.5 billion tax cut, scheduled for Jan. 1, 1988, in order to stimulate demand by West German consumers and businesses for imports.

### March 18: Kohl Makes

Opening to Soviets  
In a speech to Parliament outlining the program of his center-right coalition for the next four years, Chancellor Helmut Kohl calls for closer ties with the Soviet Union. The West German diplomatic opening toward the Soviet Union includes seeking increased economic ties and more interchanges with East Germany.

### March 23: Brandt Resigns

Willy Brandt, former West German chancellor, resigns as chairman of the opposition Social Democratic Party, following dissent over his decision to appoint a 30-year-old Greek woman as the party's spokeswoman.

### March 24: Bonn Bombing

A bomb explodes outside a British officers' club in Bonn injuring 31 persons. The explosion came a few hours after Prime Minister Margaret Thatcher had concluded talks with Mr. Kohl.

## IN THIS REPORT

### French Connection 8

Union is no longer an exaggerated term to describe the relationship between France and West Germany, but the French are more aware of this than are the West Germans.

### Debating the Past 9

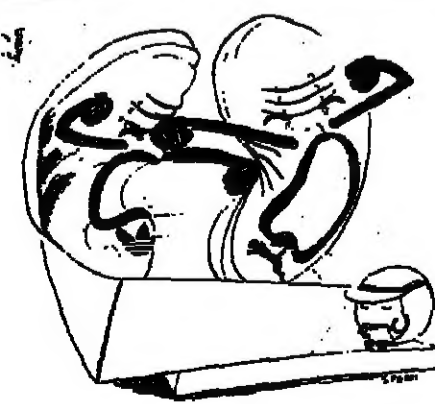
After a history of traumatic experiences, West Germans turn to their historians to provide a sense of where they come from — and where they are going.

### Merger Mania 10

The temptation to build corporate empires seems to be stirring again after a long postwar dormancy.

### Washington View 12

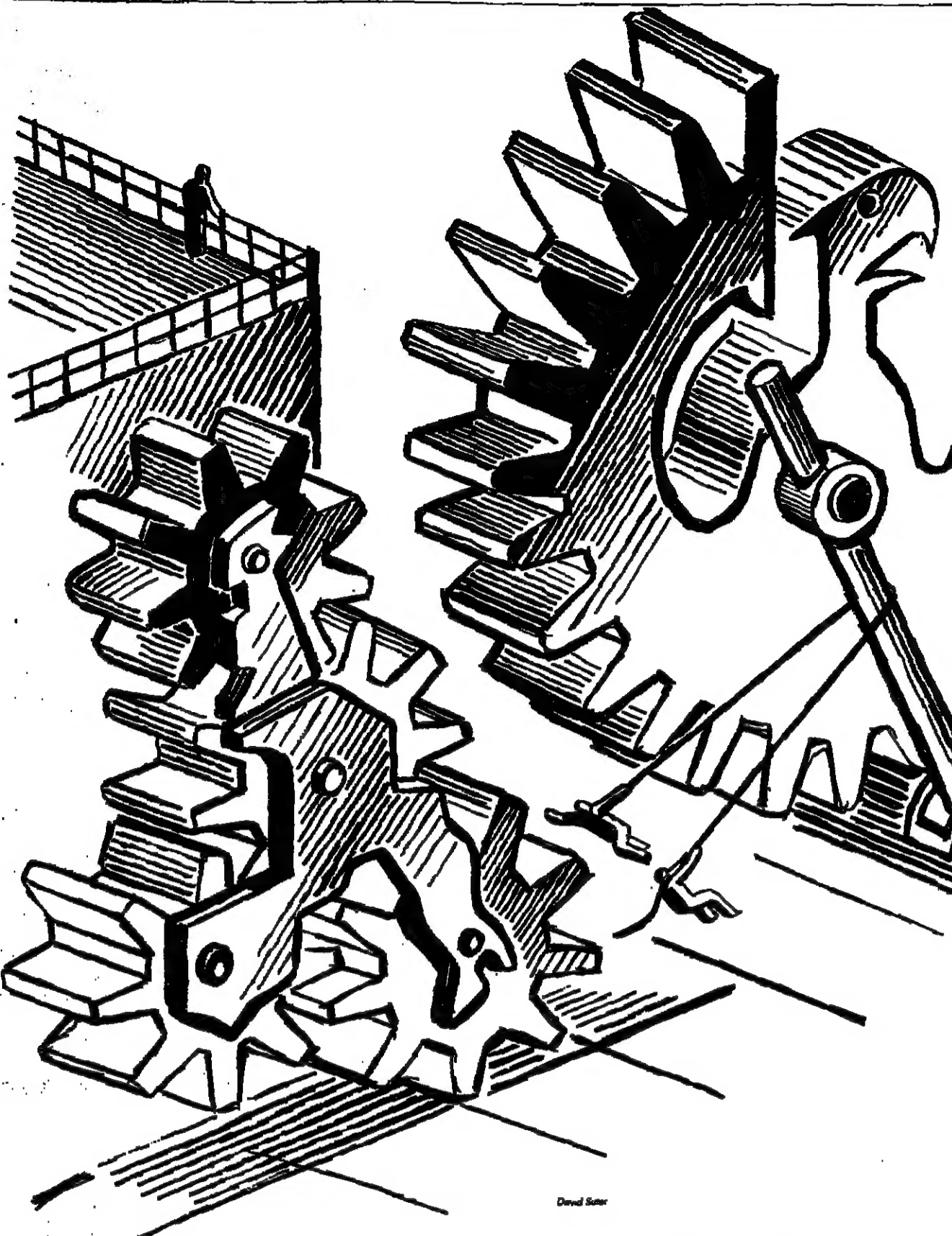
Washington's relationship with Bonn will not be totally trouble-free, but differences are susceptible to compromise.



### A Sporting War 16

While Adidas and Puma battle for position, West Germany's sports shoe industry faces formidable challenges abroad.

## Leadership at Issue



## New Pressures Blur Image of Solidity

By Henry Tanner

**B**ONN — The citizens in the streets, restaurants and stores of West German cities exude an air of affluence — good clothes, rich food, expensive cars — unmatched by any of their neighbors except perhaps the Swiss. Helmut Kohl, the chancellor, big and smiling in his public appearances, is the picture of impeccable political solidity. The concert halls and theaters of Frankfurt and Berlin are sold out every night and art exhibits crowded. The only performers that have trouble getting heard are the politicians.

The questions and issues facing the Federal Republic in the spring of 1987 are neither obvious nor easily defined. There is no central theme that would inspire a great national debate. And if there are any demonstrations of public emotion, they are likely to be local marches of protesting farmers or metalworkers.

For a government that has just won its second successive national election — and is virtually assured of winning the next one, four years hence — Mr. Kohl's center-right coalition is having a difficult time. The chancellor's capacity for leadership is being questioned by newspapers that are his staunch supporters, such as the Frankfurter Allgemeine Zeitung. He is described by fellow politicians as a master tactician concerned with consolidating his power in his party and assuring the management of government affairs but lacking the vision of a statesman.

Critics say that the new government program, which was pieced together during several weeks of often fractious negotiations between his Christian Democratic Union, its Bavarian sister party led by Franz Josef Strauss and the Free Democrats, reflects the lowest common denominator and cannot possibly be a platform for effective action in the field of social and economic policy.

There is a perception that the central power in Bonn is being eroded. "A whiff of ungovernability is wafting across the country," wrote Dieter Schröder, the editor in chief of the respected Süddeutsche Zeitung. He cited the decline of the two dominant parties, the Christian Democrats and the Social Democrats, and the way economic pressure groups and powerful state leaders, like Mr. Strauss and, in Baden-Württemberg, Lothar Späth, are exploiting the federalist structure of the country to have things their way.

The three-party system, one of the main pillars of political stability since the war, may

have come to an end with the January elections. It is making room for a four-party system that may eventually become a multi-party system.

The Greens, until recently a loose alliance of militants of many kinds operating on the fringes of the political scene, are now the established fourth party. Clearly, they are here to stay. They won just over 8 percent of the vote in January and may do better next time.

This means the end of the cozy arrangement under which the Christian Democrats and the Social Democrats, each usually commanding 40 percent or more of the electorate, could be trusted to take turns in office as their election scores shifted within narrow margins and the Free Democrats, the much smaller third party, threw their weight alternately to one or the other.

In January, the Christian Democrats and the Social Democrats both had their worst results in decades. The Social Democrats are going through one of their deepest crises ever. They are unlikely to recover for several years. A party official conceded that their objective now is not to win the next election, but the one after that, probably in 1994. "They are in danger of becoming a 30-percent party," said an editor.

Their crisis has many reasons beyond the rise of the Greens. They have not been able to resolve a bitter internal conflict over the basic course that a leftist working-class party should steer in the "middle" of Europe, in the nuclear age and at a time of rapid change in a modern industrial society. The abrupt exit of Willy Brandt, the last of the old generation of headstrong historical figures, has been a crowning blow. His successor as party president, Hans-Jochen Vogel, is a caretaker. The succession struggle remains unresolved.

The national leadership of the established parties is being challenged also in the provinces. Five of the republic's 10 Länder will elect new state governments during the next five months. In each of them the same party has been in power since the war, the Social Democrats in three, the Christian Democrats in the others. Now, a changing of the guard is possible in three of the five. The Social Democrats are in difficulty in Hesse and Hamburg and the Christian Democrats in Schleswig-Holstein, and journalists specializing in regional politics say these races are too close to be called now.

In question is the general rule that power in the federal states remains in the same hands even when control over the central

Continued on page 8

## EC's Complaint: High-Tech Bonn Won't Share

By Peter Mass

**B**RUSSELS — Heinz Reisenhuber, the West German minister for research and technology, recently tried to ease concerns in the European Community over Bonn's unsteady support for EC research programs. At a meeting of community ministers, Mr. Reisenhuber reportedly assured his colleagues that West Germany was willing to share its technological know-how with other EC nations.

However, the assurances backfired. Instead of restoring confidence in Bonn's *communautaire* spirit, the speech was apparently interpreted as being patronizing and condescending toward the community's smaller and poorer members, who are not as technologically advanced.

"It was the most arrogant thing I've ever heard come from a German," commented one EC official who attended the closed-door meeting.

When it comes to cooperative research, West Germany is unable to please anyone these days. The EC's strongest member, in economic terms, is under attack for being a reluctant and sometimes arrogant partner in research programs billed as the linchpin of sharpening the community's standing in world markets.

Unlike many EC quarrels, this controversy touches on a fundamental aspect of the community: the readiness of a member state to share its resources with others, so that all can benefit. Without this cooperative spirit, the theory goes, the community will fall far short of its lofty aims.

A certain duality exists in gauging the participation of West Germany in EC research programs. On the one hand, West German companies and universities are said to be anxious to join in some EC programs. But on the other hand, the Bonn government does little to encourage this cooperative attitude — and may even discourage it.

As a sign of how bad things have become, EC Commission President Jacques Delors recently voiced deep concern over an apparent lack of German support for industrial research. EC Industry Commissioner Karl-Heinz Narjes has also written several letters to authorities in Bonn, pleading for more backing of joint research, sources say.

"He felt that German organizations are not participating to the extent that they could, particularly in Esprit," one commission official said. "There is a problem." Esprit is the largest EC research program, focusing on information technology.

From the West German point of view, though, the problem is that EC research programs, which cost about 1 billion European Currency Units (\$877 million) a year, may pay for research already being subsidized by national authorities. Also, German officials say that some EC programs simply pay for research that companies were doing anyway.

And on an ideological level, Bonn appears hostile to letting the EC influence the agenda for research. "Industry has to decide for itself what research needs to be done," said a West German diplomat in Brussels. "Governments should only play a supplementary role."

Of course, West Germany is not the only EC member with doubts about the value of community research programs. Britain and France, along with West Germany, have fought the EC Commission's call for 7.7 billion ECUs to be spent on joint research in the next five years.

Nonetheless, the attention in the community has focused on West Germany, mainly because Bonn has so much to offer but is alarmingly reluctant to put its weight behind cooperative research. In addition, Bonn's underlying stance goes against the EC ethic of pooling resources, an ethic that German authorities say they support.

"We are seeing a return to nationalistic viewpoints in research, and the

Continued on page 10



The road chosen by Chancellor Helmut Kohl's coalition will have an effect throughout Western Europe.

## Economy Is Caught in Social Net

By Ferdinand Protzman

**F**RANKFURT — The West German economy is at a crossroads. The path of moderate growth based on tightly checked inflation, which the government has followed since 1982, has reached a point where efforts to promote further expansion begin to conflict with the political realities of a welfare state.

With economic growth currently faltering, steps to revive the economy must be measured against their impact on the nation's vast social net. The road chosen by Chancellor Helmut Kohl's recently re-elected, center-right coalition government will have an effect throughout Western Europe, where West Germany's economy is the strongest.

West Germany's gross national product, the broadest measure of economic performance, registered no growth in the final quarter of 1986, according to provisional figures released recently by the Federal Statistics Office. Rising domestic demand compensated for lower exports, but was insufficient to spark growth. For the year, GNP grew by 2.4 percent, compared with 2.5 percent in 1985.

The scenario has not brightened much thus far in 1987. The Economics Ministry says first quarter GNP may be relatively weak, while private economists are predicting stagnation or possibly contraction. The government's forecast of 2.5 percent GNP growth for the year looks increasingly unachievable, and many experts have cut their predictions to between 1 percent and 2 percent growth, from original estimates of 3 percent.

Few experts dispute the need for economic stimulation, although they are divided on how to achieve it.

The government is betting on strong domestic demand to counter a falloff in exports caused by the dollar's steep drop against the Deutsche mark. Some private economists say more significant structural changes, such as genuine tax reform or changes in the social welfare system, may be necessary.

Any moves in the direction of limiting the government's role in funding the social net will face stiff opposition from special interests, such as agricultural and industrial groups, many of which rely on federal subsidies. Attempts to alter pension funding or other social systems risk alienating broad sections of society, and could have severe political consequences.

Agriculture Minister Ignaz Kiechle summarized the situation in a recent interview, when he said, "Simply reducing agricultural subsidies does not take into account the need for social understanding."

For the government, taking the needs of various groups into account, while promoting growth, is likely to be very difficult, given current economic conditions.

Even experts forecasting better-than-expected growth for 1987, are hardly optimistic.

"I think we'll see 3 percent GNP growth in 1987, for all the wrong reasons," said Klaus-Werner Schatz of the Institute for Global Economy in Kiel, one of the nation's leading economic research groups. "The growth will come from much higher domestic demand fueled by a rapid expansion of the money

supply. Policies of excessive or uncontrolled money supply growth, which the major industrial nations appear to be following, could lead to recession by the end of 1988."

Such a prediction, which would have been scoffed at by government policymakers a few months ago, is indicative of the changing mood in West Germany. The optimism that accompanied growth without inflation is giving way to concern about the future and recalcitrance by groups who feel threatened.

As recently as late 1986, the mood was brighter. Mr. Kohl's government had followed, with some success, a policy of steady economic growth, based on price stability and closely controlled monetary expansion. The chancellor's Christian Democratic Union made economics the cornerstone of its election campaign, plastering the country with posters showing a thumbs-up sign and the words, "Carry on, Germany!"

But economists say much of the past success came more from simple good fortune than the government's policies. West Germany had deflation of 0.2 percent in 1986 and inflation of 2.2 percent in 1985, but this was due largely to the collapse of global crude oil prices during 1986. Most analysts predict inflation of about 2 percent in 1987.

The decline in inflation, combined with mild wage increases over the past few years and a cut in personal income taxes that went into effect in January 1986,

Continued on page 11



## Military Policy

## Pressures Blur Image Of Solidity

Continued from page 7

government changes in Bonn. This rule, in addition to the three-party system, has been a major pillar of political stability.

The first test will be in Hesse, which votes on Sunday. The local Social Democrats and Greens had formed the country's first red-green coalition and intend to renew it.

Economically, "1987 will be a year of great difficulty," according to an economist, reflecting the judgment of many of his colleagues. The economy is resilient and has great reserves of strength but economic growth will remain below expectations and unemployment, insufficiently slowed down by the recent tax cuts, is likely to grow again, he said.

Officials in Bonn speak with some vehemence of what they see as American and West European demands that West Germany "take the responsibility, single-handedly, for turning the world economy around."

They feel "beleaguered by these pressures," one official said.

A leading Christian Democrat expressed the intensity of emotions that this quarrel has touched off. West Germany, he said, will not give in to the American demands for greater growth because these demands make no sense.

"Our capabilities are limited; even if we were able to increase growth by, say, one percent, which we are not, it would have no real impact on the American economy." The government has forecast a growth rate of 2.5 percent, which is widely regarded as overly optimistic.

As for European Community demands for lower farm prices, "they are a poisonous prescription which would kill the German family farm," he said. Reflecting the depth of the contrast between the opposing perceptions, a foreign diplomat in Bonn referred to German family farms as "the most sacred of their sacred cows."

Another diplomat argued that West German politicians and business people had "become so obsessively concerned with stability that they are afraid of growth and prefer high unemployment, which they can afford because their welfare net is highly developed."

"There are tensions, but we do not want a trade war, which would weigh more heavily on our relations with our allies than any other conceivable issue, including disagreement on nuclear policy," a German official said. "A trade war would stir the emotions of West Germans far more than a hundred warheads more or less," he added.

Optimists — relations with the Soviet Union and Eastern Europe — is the bright spot in the current picture as it is seen from Bonn. The fact that a reduction of American and Soviet



West Germany's affluent consumers in a year of "difficulty."

nuclear arsenals in Europe is seriously negotiated, is a central concern.

The coalition parties can take credit for having stood firm in 1983, when the Pershing II and cruise missiles, which are now the Western bargaining chips, were deployed despite opposition from the Social Democrats and the peace movement.

But the discussion on the subject is strangely muted. It does not reflect the upsetting effect that the removal of the American missiles could have on the country's position in the alliance. The anti-nuclear militants who opposed the deployment of these weapons are not publicly jubilant over their removal, and government officials seem reluctant to take credit publicly.

The danger of being left to face the superiority of Soviet conventional forces without the protection of the American nuclear shield is being discussed in great technical detail by specialists but does not appear to have impressed itself, as yet, on average people. Some, on the political right, worry about a possible unraveling of the alliance — the "uncoupling" of the links between Europe and the United States that deployment of the Pershing was supposed to prevent in the first place. But this seems to be a minority view. "For once," said a conservative newspaper editor, "the Germans are not worried enough."

Foreign Minister Hans-Dietrich Genscher, the leader of the Free Democrats, was the first among European leaders to argue that the Europeans should respond quickly to the Soviet initiatives and engage Mikhail Gorbachev in negotiations. His repeated public statements have been well ahead of the far more reserved reaction of British and French leaders.

Under Mr. Genscher's influence, the West German strategy is to probe Soviet intentions beyond nuclear disarmament and to test whether a new period of general East-West détente has become possible. As officials in Bonn see it, the Soviet Union is 10 or more years behind the West in industrial technology and continues to lose ground. The new Soviet leaders, this thinking goes, want to reverse the trend and need better relations with the West for this reason.

"The real test will come when we ask the Soviets for concessions on conventional forces," an official said. "This, and their attitudes on political issues, will show whether the Soviets are ready for a new policy of mutual restraint and nonviolence or whether they are bargaining only for a temporary and limited advantage," he added.

Whether the thaw is temporary or permanent, Bonn is determined to exploit it. *Opolitik* has entered a new, highly active phase. President Richard Weizsäcker is due to visit Moscow, perhaps as early as May. Both Mr. Genscher and Eduard Shevardnadze, the Soviet foreign minister, plan mutual visits.

In spite of the misgivings of the Western Big Three, the mayor of West Berlin, Eberhard Diepgen, is set to visit East Berlin to participate in a state ceremony there celebrating the 750th anniversary of the city and Erich Honecker, the East German leader, has been invited to a comparable celebration in the western part of the city.

HENRY TANNER is on the staff of the International Herald Tribune.

## Defense Thinking Is a Weak Link In the Strong French Connection

By Peter Scholl-Latour

HAMBURG — Union is no longer an exaggerated term to describe the relationship between France and West Germany — so deeply interwoven have the bureaucracies of the two governments become and so close are the economic and personal ties at all levels. The full reality of this state of affairs, strangely, is less fully recognized by the West Germans than by the French, who are more deeply aware that their well-being is tied to the future of Germany.

For the West Germans, it is the relationship with the United States that evokes strong emotions — both for and against — and that dominates popular expectations for the future

The big strategic options of the two governments remain far apart.

defeat of 1945. While General de Gaulle, who engaged in lofty and sometimes excessive solo flights, created his own nuclear strike force and thus laid the foundation for a relatively relaxed French relationship with the American superpower, the West Germans are still chafing under their diplomatic and strategic dependence. They are asking not for their own nuclear weapons but, understandably, for the right to participate as full partners in any decision involving the use of these weapons in Europe.

This may be responsible for the contrasting French and German attitudes concerning nuclear power. For instance, in the case of the French power plant of Cattenom near the border in Lorraine. It may be that the negotiations on nuclear matters between the superpowers, whose secret is never completely lifted, and the fear felt by many Germans of being drawn into a nuclear inferno without being consulted touched off the psychological reactions in the Federal Republic that are so difficult for foreigners to understand. The rise of the Greens and the ecologist and Alternative movements has yet to be fully explained. It may be that beneath this romantic pacifism there are the first signs of a rise of neo-nationalist trends.

A majority of politicians from the Christian Democrats to the Greens regard the new Soviet *glasnost* with skepticism as well as hope. However, beneath this mixed reaction lies a profound change: The time is past when everything connected with the Soviet system was regarded as devilish. The willingness to coexist with the Soviet security system is not at all confined to the parties of the left.

Since Konrad Adenauer set the Federal Republic so firmly on the Western track, leading to its integration in the Atlantic alliance and the European Community, it is only natural, as the years pass, that another concept is re-emerging: The term "Middle Europe" is gaining currency again.

Interest in the history of Prussia and Saxony is being revived on television, the 750th anniversary of the founding of Berlin is being celebrated — all this reminds the Germans of their central place in Europe. As a result, there is a timid revival of traditional national consciousness, which is gradually superseding the postwar tendency to disown history. Even though the political and cultural intolerance and economic backwardness of the Soviet system remain repugnant, the initiatives of Mikhail Gorbachev have stirred a new fascination with Russia. Détente, including nuclear disarmament in Europe, is regarded by many Germans as a milestone on the road to the rapprochement between the two German states

that is already well advanced on the cultural level.

The French, as continental allies, have more understanding than the British and Americans for these German attitudes and geographical pressures. Paris is conscious of the difficulties that are in the offing for the French-German alliance. Even if it is not in Moscow's interest to nourish any West German illusions about the possibility of reunification of the two states, the Soviet Union may use its influence in East Berlin to induce the Bonn government and political parties to make concessions. On the Rhine, there is a growing suspicion that West and East Germany both are pawns in the big chess game of the superpowers.

If the nuclear zero option, which Bonn had originally demanded and is now hypocritically praising, is adopted, it will make a basic rethinking of the defense concepts of the Atlantic alliance inevitable. The Reykjavik decisions raise questions about the American nuclear umbrella, and an eventual drastic reduction of the American military presence in Europe cannot be excluded.

But the logical consequence that Mr. Schmidt wants to draw from this situation — namely, the creation of a self-reliant, integrated France-German defense potential — will not be drawn any time soon. All declarations to the contrary notwithstanding, it is clear that Washington would be against any tendency of the European pillar of the alliance to become more independent. And the Soviet Union would, with all the means at its disposal, oppose the strategic consolidation of Western Europe, which, in Moscow's analysis, could lead to a new German hegemony over the continent.

Between the reality of European unity, which, hopefully, is irreversible, and the perspective of a rapprochement of the two German states, which could be used by the Soviet Union as a means for destabilizing Europe, the Federal Republic finds itself necessarily in an ambiguous position. The Germans, throughout their history, have been part of the West and at the same time open and available to the East. The contradictions between these two strains of history have often led to disaster. It will take great statesmanship and suppleness for West German politicians if they want to bridge these contradictions in a way that would be acceptable for both West and East.

PETER SCHOLL-LATOUR is a German television journalist and author of best-selling books on international affairs. He is a director and former editor in chief of the weekly *Stern*.

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## Social Issues

## Disputes Among Historians Indicate Changing Cultural Moods

The issue is whether the identity of Germans today should still be overshadowed by the 12 Nazi years.

By Christoph Bertram

**D**IFFERENT countries have different ways of debating the trends of their time. In France, the "new philosophers" reflected the growing disenchantment of the Left with Soviet Marxism and its most terrible product, the gulag. In Britain, that happy country where intellectuals are still not classified by specialty but respected for their general education, the letters page of *The Times* remains the prominent forum for the battle of ideas.

In contrast, in West Germany, where there is no real establishment, no capital city combining the political and cultural elites, indications for changing moods and subterranean currents can be found in the disputes among historians. It is, perhaps, indicative that the historians, the analysts of times past, should play such a role in the exploration of German identity today. As Gordon Craig, the Scottish-American who has become a leading and sympathetic authority on German history, recently reminded us in *The New York Review of Books*, German professors in general and German historians in particular have always been a querulous lot. "The historians have been prone to prolonged and bitter intellectual donnybrooks, and some of these, because of the importance of the issues involved and the passion with which they have been debated, are remembered as significant illustrations of the social and intellectual temper of their time."

**M**OREOVER, few countries have experienced a more turbulent history over the past 120 years: from the loosely knit German federation of the first part of the 19th century to Bismarck's Reich; from the ruins of World War I, the ravages of inflation and depression to murder and destruction under the Nazis; from capitulation in 1945 to national division; from bankruptcy then to prosperity now. As Germans try to find out what they are about after all these traumatic experiences, they quite naturally turn to the historians to provide them with a sense of where they come from and also, perhaps, where they are going.

The latest of these debates has been conducted in pages of the West German press for most of last year, most prominently in the country's leading liberal weekly, *Die Zeit*. The issue is not a new one: whether, 45 years after the collapse of Hitler's Reich, the identity of Germans today should still be overshadowed by the 12 Nazi years, which brought death and destruction to tens of millions of people, trampled the nation and cut it off from its history. The first shot in the encounter was fired by

Berlin Professor Ernst Nolte, a man characterized by Craig as "more of a philosopher than a historian, with a penchant for making startling comparisons or posing daring hypotheses, often in the form of questions, which therefore do not require an underpinning of proof." Nolte's piece, printed in the country's major daily, the conservative *Frankfurter Allgemeine Zeitung*, culminated in one such question: whether the idea for Auschwitz had originated with the massacres of the Soviet Union and whether the Nazis and Hitler had perhaps committed their atrocities only because they regarded themselves as the potential or real targets of an "Asiatic" deed. "Was the gulag," Nolte asked obscurely, "not more original than Auschwitz?"

In normal circumstances, the strange utterings would have been passed over as the maverick views of an ivory-tower academic. But there are no "normal circumstances" in a country whose name has become linked with the greatest crimes in history and which, to its credit, has tried hard not to forget this. The man who took up Nolte's challenge was no historian, but West Germany's leading leftist sociologist and philosopher, Jürgen Habermas. Rather than ridiculing Nolte's strange suggestions, he took them very seriously. Behind it all (and other, similar remarks by historical writers), Habermas detected less a rearrangement of the past than an attempt to instill, in West Germans of today, a new sense of identity and patriotism by putting Auschwitz in the same "category" as other 20th-century atrocities. And soon every self-respecting historian was joining the battle.

If followed, as these things are perhaps bound to, an almost predictable course. Joachim Fest, highly respected journalist and Hitler biographer and now one of the editorial directors of the *Frankfurter Allgemeine Zeitung*, led the counter-attack by claiming that, after all, Nolte's questions could not be dismissed out of hand, and that there were indeed reasons to doubt the "singularity" of the Nazi crimes. The historians rallied mostly to Habermas. Nolte's suggestion that Hitler had followed an "Asiatic" model was analyzed, dissected and roundly rejected. All agreed that the Nazi atrocities, the bureaucratized, mechanical and mechanized murder of millions of human beings cannot ever be equated with other mass crimes, not in Stalin's Russia nor in Pol Pot's Cambodia. Nolte responded in *Die Zeit* in typical fashion: "The gulag is more 'original' than Auschwitz for the simple reason that the originators of Auschwitz were aware of it and not the other way around. But there exists nevertheless a qualitative difference between these two events. It is impermissible to overlook these differences, but it is



David Goffard

even more impermissible not to recognize the relationship." And even Habermas, in his final riposte called this "a thoughtful contribution."

And yet, the impact of the dispute, which touched many in the German intelligentsia deeply, cannot be explained by its historical arguments, important as they may be. As such, they have little novelty value in a society that only a year earlier had discussed with German thoroughness the lessons of history on the 40th anniversary of May 8, 1945. Four decades after Hitler's death, it is virtually impossible not to find, in any edition of the national newspapers, references to events during those dreadful 12 years, 1933 to 1945. Indeed, the coverage is so extensive, the memoirs of the survivors so widely reviewed, the dates of Hitler's rise and fall so meticulously chronicled, that clearly this remains a major preoccupation of Germany's thinking classes. Of course, as new generations come forward, memories recede and the fixation on the past, however morally justified, inevitably acquires a degree of ritual. But perhaps there is no other way in which human societies can cope with the burden of historical guilt, and the seriousness of these attempts is not in doubt.

Yet the political significance of the "historians' dispute" lies elsewhere. Habermas feared not just that the arguments of the Nolte camp were trying to reduce German guilt but that they were put forward in order to justify that political restoration that liberals and leftists among the German intelligentsia have long associated with the government of Helmut Kohl and the "change of course" attributed to it. It was this that rankled Habermas, the champion of the enlightenment. His concluding piece in *Die Zeit* was entitled, "Of the Public Use of History." History, so his argu-

ment went, was being misused to serve the political interests of conservative restoration.

The vehemence of the debate can indeed only be understood in this context: It was not just another quarrel over the guilt of the Germans but over the role that this guilt should play in defining the identity of the nation. Behind all the academic arguments, the real debate was about the future consensus on West Germany's political identity.

**W**HAT did it break out now? For one, the government of Helmut Kohl, unlike all its predecessors, has put itself firmly into the controversy. Kohl has presented himself as the United States' first chancellor of the generation born after the war. He has, it is true, found moving words on occasions to underline that Germans can never escape from their past. It is also true that his desire to make Germans understand that their history reaches back much further than 1933 has been shared by practically all his predecessors. But Kohl, in contrast to them, has sought more directly and perhaps more crudely to give to his compatriots a sense that they have no reason to run around in a hair shirt any longer. Kohl's acts of historical reconciliation have thus not been with the persecuted of the gas chambers (like Adenauer's agreement with Ben-Gurion for material compensation for the Jews or Willy Brandt's kneeling before the Jewish memorial in Warsaw) but with those killed on the battlefields: Kohl joined hands in Verdun with President Mitterrand and at the military cemetery of Bitburg with President Reagan. And he no longer acts as if the burden of Germany's Nazi past rests heavily on his shoulders.

This is probably not just a matter of genera-

tions and probably no coincidence that the dispute between those who want to emphasize "normalcy" on the right and those who protest the "inherent abnormality" of the German existence on the left occurs at a time when the West German political consensus is showing severe signs of strain. Within the society, as well as in the international framework within which the country must operate, there are growing signs of shift and doubt. Domestically, the authority of the large political parties has suffered as voters have become less and less classifiable by social class and affinity, and the authority of the center has progressively been weakened as local and regional matters have increasingly come to the fore. Internationally, the relationship with the United States has been strained by the clash between Reaganite ideologies in America and an often no less intense anti-Reaganism in West Germany; NATO and its doctrine of deterrence have been thrown in doubt by the emotional nuclear debate; the European Community seems to have decayed to petty bargaining over farm subsidies and steel quotas, while at the same time new possibilities for contacts and cooperation with East Germany seemed to open up and with it a new curiosity in West Germany about the cousins across the Elbe.

Thus, therefore, is the context in which the historians conducted their debate: the battle over the future shape of the German consensus. The Kohl government, rightly aware of the dangers inherent in West Germany floating between East and West and past and future, has tried to get history on its side. The critical left, as represented by Habermas, not only dislikes the method but also the objective.

Who will prevail in the end? My hunch is that history, particularly in the German case, is not a useful handmaiden for the task of shap-

ing future policies. Those who argued in the debate that the past cannot be reinterpreted to suit the political fashions of later times have been proven right. The Nazi crimes were so horrendous that they will continue to overshadow German history for the indefinite future, and every new generation of Germans will have to come to grips with it again, however painful the process. If they want to give a direction to floating moods and uncertainties in the country, political leaders have to address the tasks of the future, not lighten the burdens of the past.

**W**EST German society, for all the quarrels, polemics and excitement of the 1980s, remains, after all, basically content with the status quo — as long as it does not pose awkward alternatives. Normalcy has set in in West Germany, and time is a force that not only reconciles with the past but also with the present. By and large, Helmut Kohl reflects a widespread feeling in the country: West Germans feel satisfied with their existence. The recurrent debate over "German identity" is no proof to the country — after all, Germans have always been fond of discussing what they are and why; it is the favorite parlor game.

What uncertainties exist would seem to be quite natural in a phase of domestic and international flux. They will get into something more serious only if the politicians fail to provide leadership — and no historian can do that job for them.

CHRISTOPH BERTRAM is diplomatic correspondent of the weekly *Die Zeit*.

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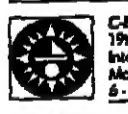
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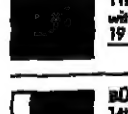
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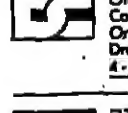
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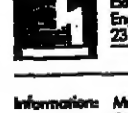
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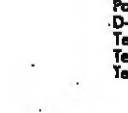
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# Merging Giants: The Start of a New Corporate Era

By Edward Roby

**B**ONN — The temptation to build corporate empires seems to be stirring again in West Germany after a long postwar dormancy.

The victorious World War II allies had identified the tendency to erect market-dominating structures in industry as a peculiarly German vice. They found it unusually threatening and set out to crush it under the unofficial occupation policy slogan: Demilitarization, Decartelization and Denazification.

The biggest target of the decartelization program was the I.G. Farbenindustrie AG fusion of the export-oriented German chemical industry, which developed the poison gas that made its debut in World War I as well as a list of ingenious synthetic products that have transformed the modern world.

A made-for-television epic based on the rise and fall of I.G. Farben with Burt Lancaster in the role of a chemical industry patriarch became a prime-time hit on German television over the Christmas holidays. The film delivered a frank portrayal of the world's biggest chemical industry as a tool of militarism and per-

verse nationalism side by side with its Nobel prize-winning glory and incomparable scientific achievements.

And it came at a timely juncture in West Germany's development because the peril of economic concentration is again a topic of public discussion.

Last autumn, Aachener-Münchener, one of West Germany's top five insurance companies, agreed to pay 1.85 billion Deutsche marks (\$1 billion) for the acquisition of the union-owned Bank für Gemeinwirtschaft, the country's eighth largest bank, when the German Labor Federation ran into severe financial difficulties. This takeover followed closely on the country's most spectacular postwar merger, in which Daimler-Benz paid 1.6 billion DM to absorb the giant but troubled electrical concern AEG.

It was just one in a string of rapid-fire takeovers through which the Mercedes automobile maker catapulted itself into the No. 1 position in West German industry last year. The car company also acquired MTU Motoren- und Turbinen-Union and the family-owned Dornier aerospace firm, both of them high-profile defense contractors.

"The trend toward concentrations in the form of conglomerate mergers became visible for the

first time" with the AEG and Bank für Gemeinwirtschaft acquisitions, commented Wupper and Partner, the Hamburg merger specialist, in its annual report for 1986. "A new era in German corporate history was initiated with this."

The Wupper report, titled

sulting firm, observed in the report. The trend was nowhere more visible than in the service industries, particularly in publishing, banking and computer software, the report said. In the industrial and manufacturing sectors, it said, the merger bug was especially active last year in

billion DM to acquire Celanese Corp. of the United States.

The Bertelsmann media concern, meanwhile, took positions in Doubleday Books and RCA for 1.8 billion DM. Deutsche Bank plunked down 1.2 billion DM for the Italian unit of Bank of America and Volkswagenwerk bought into Spain's SEAT for 1.1 billion DM.

In its impact on the domestic economy, the recent German merger wave fades to insignificance beside the frenzy that swept through the U.S. oil industry a few years ago. But some critical observers of the forces that produce concentration in the West German economy have contended that such straightforward, cash-and-carry commercial acquisitions may be only the tip of the iceberg.

Wolfgang Kartte, a chief of West Germany's Berlin-based antitrust office, has warned that the real danger of economic concentration might lie in the country's largely unregulated universal banking system, which permits a few influential commercial banks to maintain extensive portfolios of corporate shareholdings.

Deutsche Bank, the country's largest credit institution, for example, owns 28.5 percent of Daimler-Benz, the largest industrial company, and both Dresdner Bank and Commerzbank, the other two members of German banking's "Big Three," also have a stake in the car company. Deutsche Bank Co-Chair-

man Alfred Herrhausen, named last year by a business magazine as the most powerful man in West Germany, is credited with playing a key role in the Daimler-Benz acquisitions. And Deutsche Bank, which has major holdings in many blue chip concerns, has its representatives on about 150 supervisory boards of industrial companies.

A report filed last summer by West Germany's public monopoly commission revealed that Commerzbank held stock in 10 of the country's 100 biggest non-banks, and Deutsche and Dresdner, along with the giant Allianz insurance group, had a partial stake in eight apiece.

The commission, which called for a 5 percent cap on corporate participation by the banks in other industries, cited two cases in which it said bank influence may have neutralized an official ban on proposed mergers of retailing and manufacturing companies active in the same business.

Hanns C. Schroeder-Hohenwarth, who in March concluded a four-year term as president of the German Banking Federation, calls such criticism unfair.

Mr. Schroeder-Hohenwarth and the head of Commerzbank, Walter Seipp, have said that legislative moves to restrict banking participation in industry could have damaging consequences for the economy.

**EDWARD ROBY** is United Press International bureau chief in Bonn.

The peril of concentration is again a topic of discussion.

"Who Is Buying Whom?" cataloged 1,724 mergerlike transactions involving West German companies last year, a burst of activity that it said was up more than 30 percent from the 1985 level. German corporate strategists, in arming themselves for the challenges of the 1990s, are recognizing that taking a position in an existing firm can be surer and cheaper over the long haul than starting from scratch in a new field, the report said.

A new momentum toward concentration within branches is visible on a broad front, Jürgen Wupper, chief of the merger con-

chemicals, pharmaceuticals, machine tools, electronics and data processing and controls technology.

The Siemens electrotechnical concern led the list of the top 10 buyers with 24 acquisitions in 1986, followed by the soon-to-be privatized Veba energy conglomerate, Deutsche Genossenschaftsbank and the Axel Springer publishing house.

West Germany's corporate empire-builders invested heavily in foreign markets last year, too, with the Hoechst chemical concern, once a part of the I.G. Farben colossus, paying a record 5.7

## EC's Complaint

Continued from page 7

Germans are leading the way," one EC official remarked.

Diplomats here are most concerned by what they fear may be a policy in Bonn to actually discourage some German firms from participating in European programs. Official rhetoric aside, the EC diplomats contend that in some cases the Bonn government does not want its firms to share their technological know-how with other European companies.

"Encouraging a German company to become involved with an EC program is to encourage it to share its technology with other companies," said an EC official involved in community research programs. "But what we're noticing is a German reluctance to participate. We get the feeling that the German government is standing back."

The official contended that while other EC governments help coordinate seminars for industrialists to learn about EC research programs, Bonn shies away from sponsoring such conferences. "We are inundated with requests for such talks by every country except Germany," he commented.

Moreover, many EC sides contend that Bonn even establishes national programs that compete directly with EC efforts. One diplomat said that Bonn has radically increased its national research subsidies in information technology since 1984, possibly to draw German firms away from Esprit.

"It's a result of this policy that organizations in Germany are discouraged from going international," the official said.

West German diplomats deny this.

"There's certainly no government money set aside with the aim to persuade firms not to cooperate with somebody abroad," a diplomat said. He and other German officials argue that any increase in national subsidies reflects the needs of the targeted sector and are not an effort to undermine competing EC programs.

An oddity in the controversy concerns the role of West German companies, universities and research institutes. While the Bonn government appears skeptical about most EC research programs, West German organizations are enthusiastic in certain cases.

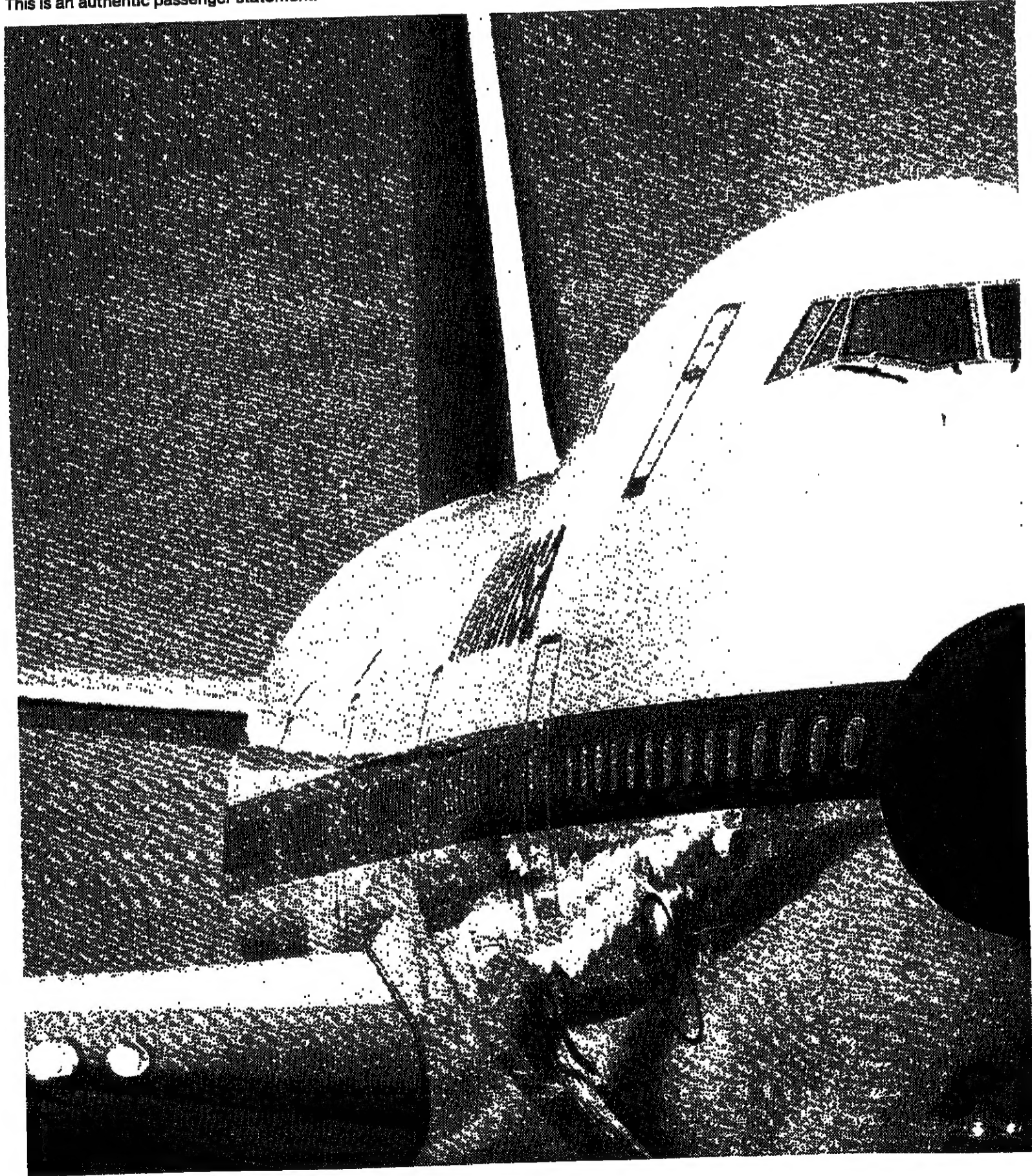
In the EC's program for industrial engineering, there are more firms from West Germany than from any other EC nation, sources say. West German organizations are also prevalent in programs on nuclear fusion, the one area that the Bonn government fully supports as appropriate for joint research.

However, the record is spotty. The commission refuses to disclose precise statistics, but West German firms are said to be underrepresented in Esprit, while there has been little enthusiasm for Race, the EC telecommunications program. Race is still in its definition stages, so the extent of future West German participation is not clear.

**PETER MAASS**, a journalist based in Brussels, writes frequently for the International Herald Tribune.

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## Economic Trends

## Economy, at Crossroads, Is Caught in Social Net

Continued from page 7

resulted in a 3.8 percent rise in domestic demand in 1986 from 1985.

Most economists see another 4 percent to 4.5 percent rise in 1987, from 1986. Other European countries and the Reagan administration have pushed the West German government to further stimulate domestic demand as a means of raising import levels, thus easing the huge U.S. trade deficit.

The trend represents a fundamental change of impetus for the economy. Economic growth in 1986 and 1985 was powered by record-high export levels. West Germany's trade surplus soared to a record 122.2 billion DM (\$61.65 billion) in 1986, breaking the old mark of 73.4 billion DM set in 1985. Exports account for one-third of the nation's economic output.

The nation's current account registered a record surplus of 77.8 billion DM in 1986, shattering the old record of 38.9 billion DM set the previous year.

For 1987, most economists are projecting a trade surplus of 100 billion DM and a current account surplus of about 60 billion DM.

But the dollar's plunge to around 1.82 DM currently from a peak of 3.47 DM in mid-1985, has severely hurt exports. In volume terms, exports fell 0.6 percent in 1986 from 1985, but due to vastly improved terms of trade, the nominal levels, which do not factor in prices, rose.

Exports are seen falling about 1 percent in 1987, although a further dollar decline would be a serious blow. But as one West German economist said, well-off Americans still want BMWs and Porsches whatever the price. Also, the majority of German exports go to countries other than the United States.

However, West Germany's highly export-oriented industry is responding to the steep drop in foreign orders for German goods by cutting back capital goods investment, cutting production and inventory,

and taking further restructuring measures, including laying off workers.

That further aggravates unemployment, which has been a persistent problem for the Kohl administration. In February, unemployment totaled 10 percent of the work force, or 2.4 million persons, down from 2.5 million in January. West Germany's unemployment totals are usually higher in winter because the construction industry frequently shuts down due to weather conditions.

The government is reacting by sticking to its guns. Employment Minister Norbert Blum says the government's policy is still creating new jobs through continued economic expansion, rather than financing make-work schemes that offer at best a transitory solution.

The nation's unions have a different idea. In current labor negotiations, the IG Metall metalworkers union is again pushing its proposal to shorten the work week to 35 hours as a way of reducing unemployment. The union's position is that workers get the same pay for 35 hours that they now get for 40 hours or 38.5 hours, plus a 5 percent raise and no overtime work.

Proposals for shortening the work week touched off a bitter, six-week metalworkers' strike in the summer of 1984 that virtually closed down West Germany's huge automotive industry. The dispute was resolved with a compromise on a 38.5-hour work week in the industry.

There have been several minor warning strikes by the metalworkers thus far in 1987, and the issue could turn into a major problem for the government and employers, who are firmly opposed to it. The government also wants pay increases to be limited, to help fight inflation.

The danger of possible strikes could lead to a further worsening of the climate among businesses and consumers," said an economist for Westdeutsche Landesbank Girozentrale AG in Düsseldorf. "We also see a trend in the coming months for only

relatively weak declines in unemployment and a slowdown in new employment."

Looking beyond the labor front, there are some positive signs for the West German economy. Interest rates are low. The Bundesbank's key lending rate, the discount rate, was cut in January to 3 percent, from 3.5 percent, putting it at its lowest levels since 1959. Money market interest rates are steady at around 3.8 percent.

Karl Otto Pöhl, president of the Bundesbank. West Germany's central bank, recently told a group of top bankers that he sees room for a possible further discount-rate cut. But he has also said monetary policy has gone about as far as it can to boost the nation's economy, and fiscal policy must take over.

Fiscal policy is the realm of Finance Minister Gerhard Stoltenberg, who played a leading role in the meeting of the Group of Seven industrial nations in Paris, in late February. At that gathering, West Germany promised to beef up a tax cut scheduled to go into effect in January 1988. The Group of Seven consists of Britain, France, Italy, Japan, West Germany and the United States. Italy boycotted the February meeting.

On Feb. 25, the coalition agreed to lower the corporate tax rate to 50 percent from 56 percent and to reduce the top personal income tax rate to 53 percent from 56 percent. The minimum personal income tax rate is to be lowered to 19 percent from 22 percent.

But the tax-reduction proposals have drawn fire, both for what they include and what they leave out. Michael Zapf, managing director of the Bank in Liechtenstein in Frankfurt, likens them to the "creative accounting" described by the former White House budget director, David Stockman, in his book on the early days of the Reagan administration.

Mr. Zapf calls the tax package, "a rosy scenario with a magic asterisk," and questions the underlying economic assumptions.

"In a prudent bookkeeping sense," Mr. Zapf said,

"the entire financing of the tax reform package remains unclear. Under a worst-case assumption, it is perfectly possible that the next years will see a significant increase in public sector borrowing requirement. Should such a drastic increase in public debt occur, the public sector will crowd out the private sector and interest rates will rise."

Other economists have questioned whether the tax cuts should be moved up to this year. So far, the government has given no sign that speeding up the cuts is being considered.

The tax-reform package did not include the abolition of West Germany's stock exchange turnover tax. Top government officials had repeatedly said the turnover tax would be done away with in the current legislature's tenure. The failure to include it on the government's legislative agenda has been harshly criticized.

"It's a great disappointment," said Rüdiger von Rosen, executive vice chairman of the West German Stock Exchange Association, the umbrella group of the nation's eight bourses. "The reason being given for this abrupt about-face, that it would cause a loss of about 750 million DM in tax income that can't be recovered, is in no way believable. The efforts by the government, banks, stock exchanges and the Bundesbank to make West Germany a more competitive, international financial center have lost credibility, here and abroad."

West German voters returned Mr. Kohl's coalition to power on Jan. 25, although with a sharply reduced majority in parliament. The government, which assigned cabinet posts in early March after weeks of negotiations, is just beginning to plot its route through the tangled terrain of economic necessity and political expediency. But faced with the prospect of slowing growth, simply "carrying on" appears certain to be the road not chosen.

FERDINAND PROTZMAN is a correspondent for the International Herald Tribune based in Frankfurt.

## Siemens: Global Game and 'European Solution'

## A survivor plays catch-up ball in computers.

By Vivian Lewis

**M**UNICH — With one exception, the great names of the West German electrical industry are now but footnotes to history, bankrupt or taken over: Grundig, AEG, Telefunken. The main survivor is Siemens, vying with Philips of the Netherlands for top rank in European sales, and fifth rank in the world, after IBM, GE, Hitachi and Matsushita.

Siemens' board chairman, Karlheinz Kaake, 59, a doctor of engineering and a pragmatist, told a French journalist: "My colleagues of the management board and I do first of all what is good for Siemens. So much the better if it is also good for German industry. But Germany represents only 5 percent of the world market for electrical and electronic products."

To be sure, Siemens is West Germany's and Europe's largest private-sector employer, with 363,000 employees, 20 percent of them university graduates. But Siemens officials say that their strategy is worldwide in the first instance and focused on building up the company's presence in the United States in the second. North America in 1986 accounted for 10 percent of Siemens' total sales, after West Germany, 47 percent, and the rest of Europe, 26 percent.

In the last annual report, Siemens boasted that its integrated services digital network system had been sold to four of the seven regional Bell operating companies in the United States. Its Hickory, North Carolina, joint venture with Corning is the world's largest manufacturer of optical fiber cables.

All of which makes it a bit difficult to appreciate

the logic of Jacques Delors, president of the European Commission, who urged the French government to let Siemens become the foreign 20-percent shareholder in Cie. Générale de Construction Téléphonique (CGCT) now being sought by the French government. This, Mr. Delors wrote in *Le Monde*, "is a European solution."

Some staff members at *Le Monde* feel the commission's real concern is keeping Siemens involved in European programs, like RACE for broad-band cellular radio research, EUROKA for basic research and ESPRIT for computers.

Siemens is playing catch-up ball in computers. Here, too, it is sometimes a good European, using European standards (Unix in its X-open variation, also used by Bull, Ericsson, ICL, Nixdorf, Olivetti, Philips, and Unisys and Digital Equipment Co. of the United States.)

Siemens is less of a presence in computers than it could be. Sales in 1986 of its communication and information systems group came to 9.1 billion Deutsche marks (\$5.1 billion), just inching ahead of telecommunications. But in addition to data-processing systems, this division includes value-added communication systems, in-house telecommunications for companies, fax and telex machines. The mixture of quite different products in one division is typical of Siemens' way of reporting its results.

Unlike other world-class electrical conglomerates, such as IBM, Hitachi or Philips, Siemens has only half-heartedly tried to make inroads in the computer industry. But last November, in a major switch, Siemens opted to join BASF in creating a new West German company, Compax (capitalized at 80 million DM), to produce IBM-compatible personal computers and more peripheral systems.

Siemens' sales and orders in communications and data systems in 1986 increased by 10 percent. The mainstay of Siemens' presence in the market is its family of general purpose computers, 3,500 of which have been installed in Europe. By adding PCs from Hitachi, Siemens hopes to develop a range of compatible machines based on the same software, which can interface without interference.

Can Siemens catch up in chips and computers while taking on a problem French telecommunications

firms? The means are not lacking. Siemens is the most heavily capitalized West German-owned industrial company, accounting for 10 percent of the stock market index.

Siemens' chip strategy worries the stock market, in part because the pay-back for the firm is far down the pike and depends on costs as well as technology. Unlike IBM or even Philips, Siemens lacks a sufficient "captive market" for the chips its Munich plant will produce and its Regensburg unit will test and assemble with all costs to be incurred in marks.

Another problem for the market in sizing up this conglomerate is the obscurantist presentation of the accounts. Until this year, Siemens used to report separately for the power station company in the group, Kraftwerke-Union. But a lack of orders for

KWU following Chernobyl and the Green Party movement was painfully obvious last year — and was the major reason that Siemens did so poorly. The company's reaction is typical: In 1987, KWU will be consolidated and its troubles will be hidden.

Telecommunications order books and sales failed in 1986 to match levels reached the previous year, partly because currency factors shrank growth, and partly because the firm failed to get contracts as large as had been delivered in 1985. As a result, communications and data-processing overtook this division for second place in sales (after electrical engineering). But Siemens is convinced that 1987 will be better.

VIVIAN LEWIS is a Paris-based financial journalist.

## Industry

## Outlook



## Automobiles

The market for passenger cars, following a record year of output and new registrations, is unlikely to match growth recorded in 1986. The stronger Deutsche mark is making West German cars more expensive abroad. And growing imports may squeeze sales in lower- and middle-priced automobile brackets, while increasingly affecting the market for luxury automobiles.



## Steel

Steel output, affected by the stronger Deutsche mark, growing imports and the decline in the oil market, dropped by 7 percent in 1986. No fundamental improvement is expected in 1987. Market share for mass steel will continue to be lost to developing countries, and the market for steel pipe will yield more ground. Profit margins may be eroded further by the weak dollar.



## Mechanical Engineering

Output for 1987 is assured because of a sizeable volume of orders in hand. But foreign business, which accounts for 65 percent of the total, faces certain risks because of the declining dollar, depressed oil prices and the threat of import restrictions in the United States. Maintaining market positions may cost in earnings, but increases in the work force are expected.



## Electrical Engineering

Electrical engineering output for 1986 grew at a rate of 5 percent. For 1987, production in the sector is expected to expand by 3 to 4 percent. Data processing and information technology sectors are backing off, but energy technology, auto electronics, drive and control technology and consumer goods are strengthening. Investment is expected to grow by 10-12 percent in real terms.



## Chemicals

Industry sales dropped by nearly 6 percent in 1986, following a decline in oil-market prices and the weakening of the U.S. dollar. With uncertainties persisting over the direction of oil prices and exchange rates, moderate growth in output of 2-2.5 percent is forecast. Employment is expected to increase by about 1.5 percent. Plans for capital expenditures call for a real increase of 10 percent.

Graphics: Isabel Curt-Moustet

Source: Commerzbank



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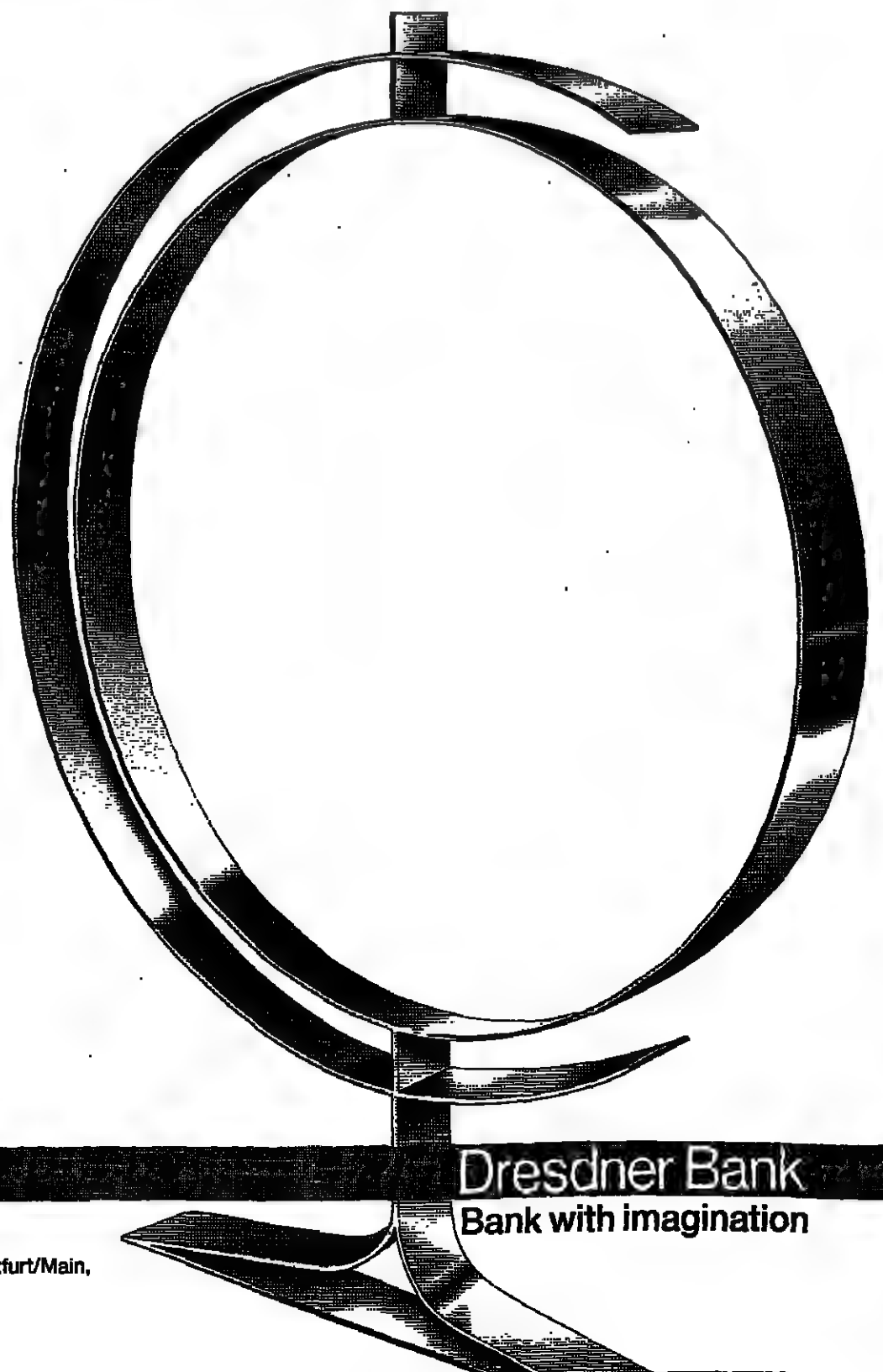
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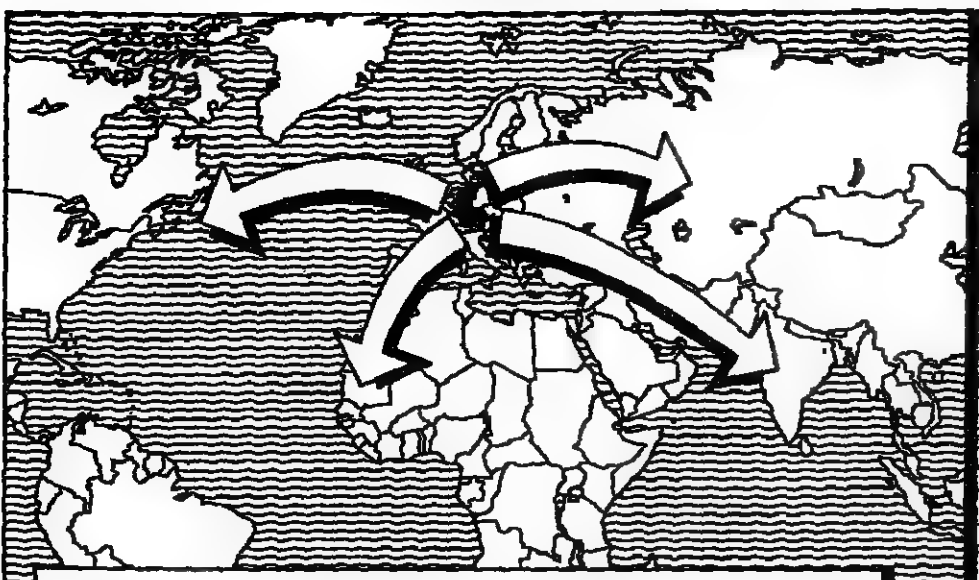
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## TRADE PROFILE

## Export Ties Across the Globe



## Dollar, Recessions Affect Orders

By Wellington Long

BONN — West German exports have been suffering since the spring of 1986 from the effects of the declining U.S. dollar as well as from economic stagnation or recession in many foreign markets.

Exports to developing countries fell by about 16 percent last year, primarily because their economies were stagnant or even in recession. Yet the picture has some highlights. Some exporters actually have increased their business, particularly in the United States, mainly by supplying special products not otherwise available — an example is the Uetzer Maschinenfabrik Friedrich Maurer GmbH of Sulzbach, which has markedly increased sales of its small construction machines to the United States and says it is making a profit despite the unfavorable exchange rate.

But overall, new export orders have fallen off, by 10 percent for machines and factory installations. The Institute for Global Economy in Kiel says that West German exports

depend less on the exchange rate of the U.S. dollar than on the economic situation in the customer countries. For this reason, the Institute predicts that West German exports may increase slightly this year, although they could drop off in 1988.

The IFO research institute in Munich says another important factor is that 85 percent of West German exports are factored in markets. Klaus Richter, president of the West German Association of Wholesale and Export Traders, says that quality products, timely delivery, follow-on service and the fact that West German exporters remain in a market even if they suffer temporary setbacks are more important than the cheap dollar.

According to Mr. Richter, West German exports in 1986 dropped nominally two percent below 1985, although reckoned in volume, they actually grew by 1.4 percent.

"In short, exports lost their verve during the last year," Mr. Richter said.

Wellington Long is a journalist based in Bonn.

## Soviet Union and Eastern Europe

Exports to the Soviet Union fell off by 11 percent during the last year, primarily because the prices for raw materials, West Germany's main export item, dropped so sharply. West German industrialists hope that they eventually can recover some of the lost Soviet

markets by developing joint enterprises with Soviet state-owned firms. Many details of such potential arrangements, which are being actively promoted by the Soviet Union, have yet to be clarified. The situation in Eastern Europe is similar.

## United States

Despite the steadily declining dollar, West German exports to the United States fell only minimally during 1986, by one-half of one percent. But the association of wholesale and export traders warned that exporting to the dollar area, because of the massive fall in the exchange rate of the dollar, has become "increasingly difficult and riskier." One company, Porsche AG, which sells more than half its output in the U.S. market, expects to sell every automobile it makes, but the company will earn less than in the recent past.

## Western Europe

The states of the European Community remain West Germany's largest export market, France being the largest customer. While farm implement manufacturers in other countries reported serious difficulties, West Germany's tractor makers recorded considerable export successes, particularly within the EC. They attributed this in part to innovation. Exports to Spain rose by 24 percent and to Portugal by 10 percent, primarily as a result of the entry of these two countries into the European Community.

## Asia

Exports to Asia fell off slightly, by three-tenths of one percent, although West German imports from that area increased by almost nine percent. Exports to Asia made up about six percent of all West German exports. Exporters say their main competitors are the Japanese and the United States, both of which have established themselves in the Asian markets so firmly that competitors find it difficult to break in. Exporters believe the political situation also plays a role. About 42 percent of Asian trade is with Japan.

## Middle East

Exports to the Middle East region, particularly to the oil- and gas-producing countries, declined sharply last year, in some cases by up to 30 percent. At fault is the declining price of petroleum on world markets. These countries' own revenues from exports of raw materials factored in U.S. dollars dropped drastically. The exporters hit hardest are 1,000 West German manufacturers of air-conditioning equipment. They report that during the last year orders from oil-producing countries dried up completely.

## Close Relations

## What Washington Wants

By John M. Goshko

WASHINGTON — With the formal re-election of Helmut Kohl as West Germany's chancellor, U.S. officials anticipate four more years of close ties with a leader whose center-right policies have put him only a hair behind British Prime Minister Margaret Thatcher as the Reagan administration's favorite West European ally.

The relationship will not be totally trouble-free. There are areas, such as international economic policy, East-West relations and combating terrorism, where differences between Bonn and Washington are apparent.

But, officials on both sides agree, all involve issues susceptible to compromise. And, U.S. policymakers privately acknowledge, Washington professes dealing with Mr. Kohl's coalition of Christian Democrats and liberal Free Democrats than with the opposition Social Democrats, who are regarded as open to neutralist influence, or with a government headed by Mr. Kohl's rightist Christian Democratic rival, Franz Josef Strauss, who advocates a hard-line approach toward the Soviet Union.

At present, the major difference between the two governments involves a reprise of Washington's periodic efforts to get the cautious and reluctant Kohl government to use West Germany's economic strength to play a greater role in world affairs.

What Washington has most in mind is its desire for West Germany, and Japan, to stimulate their economies to help relieve the U.S. trade deficit and to stabilize the decline of the dollar. U.S. Treasury Secretary James A. Baker 3d made some headway at a Feb. 22 meeting in Paris when Bonn promised to increase a planned \$5.3 billion tax cut, scheduled for Jan. 1, 1988, to stimulate demand by West German consumers and businesses for imports.

But the tax cut increase, which some sources said could amount to about \$3 billion, fell considerably short of the steps Washington had advocated. Moreover, Bonn's willingness to go ahead could be set back by slower growth and a rise in unemployment.

"We don't want German efforts to be confined to sucking in more American exports," said one U.S. official involved in the talks. "We'd like to see West Germany more active in the European Common Market and elsewhere in promoting greater free trade, and we think it could do more to help relieve the massive foreign debt problems weighing on so many Third World countries."

But, as another U.S. official noted, "the Germans are too conditioned by innate conservatism and their past history of traumatic economic setbacks to be comfortable with the idea of getting out front in a leadership role."

While Washington is all in favor of West Germany becoming a more activist force economically, it is much more equivocal about Bonn following a similar path in the political sphere.

In the Middle East, Bonn usually has been associated with European Community initiatives that West European governments insist are even-handed but that are regarded by Israel as tilting toward the Arab side. That, in turn, is seen by some U.S. policymakers as unhelpful toward efforts to revive the long-stalled peace process.

Differing perspectives on the Middle East also have been evident in the anti-terrorism field. For a brief moment, it threatened to cause a major problem between the Reagan and Kohl governments over U.S. requests for the extradition of Mohammed Ali Hamadei, 22, a Lebanese Shiite Muslim arrested in West Germany on Jan. 13. The United States wants to try Mr. Hamadei for alleged participation in the 1985 hijacking of a TWA jetliner to Beirut and the murder of a U.S. Navy enlisted man who was among the passengers. However, the kidnapping of two West Germans in Beirut by terrorist groups demanding Mr. Hamadei's freedom forced the Kohl government to explore procedures that would avoid extradition.

While U.S. officials privately say they still want Mr. Hamadei extradited, they have ceased pressuring Bonn and have said they will await the results of extradition proceedings in the West German courts. Bonn has fended off the terrorist calls for releasing Mr. Hamadei in a trade for the captive Germans, and there appears to be a tacit agreement that the situation not be allowed to escalate.

The most likely arena for greater political interplay between the two governments is the Atlantic alliance and what approach the United States and its North Atlantic Treaty Organization partners should take toward the "openness" initiatives of Soviet leader Mikhail S. Gorbachev, particularly in arms-control.

The strong showing made by Mr. Kohl's coalition junior partners, the Free Democrats, in the January national elections is regarded in Washington as having increased greatly the influence of the Free Democratic leader, Foreign Minister Hans-Dietrich Genscher, while marking a decline in the power of Mr. Strauss and the Christian Democratic right wing. That has prompted efforts to improve Bonn's ties with Moscow, where Mr. Kohl had been treated with far greater coolness than other West European leaders.

Its most immediate effects, though, almost certainly will involve West German efforts to foster support within NATO for speedy pursuit of a U.S.-Soviet agreement on the removal of intermediate-range nuclear missiles from Europe. West Germany has certain reservations about recent Soviet initiatives. These concerns involve verification and a desire to include in any agreement short-range nuclear missiles capable of hitting West Germany.

THE Kohl-Genscher coalition, anxious to claim the political credit with the West German public, seems certain to be in the forefront of NATO countries pressing Washington to move full speed ahead on testing the possibilities of an agreement with Moscow.

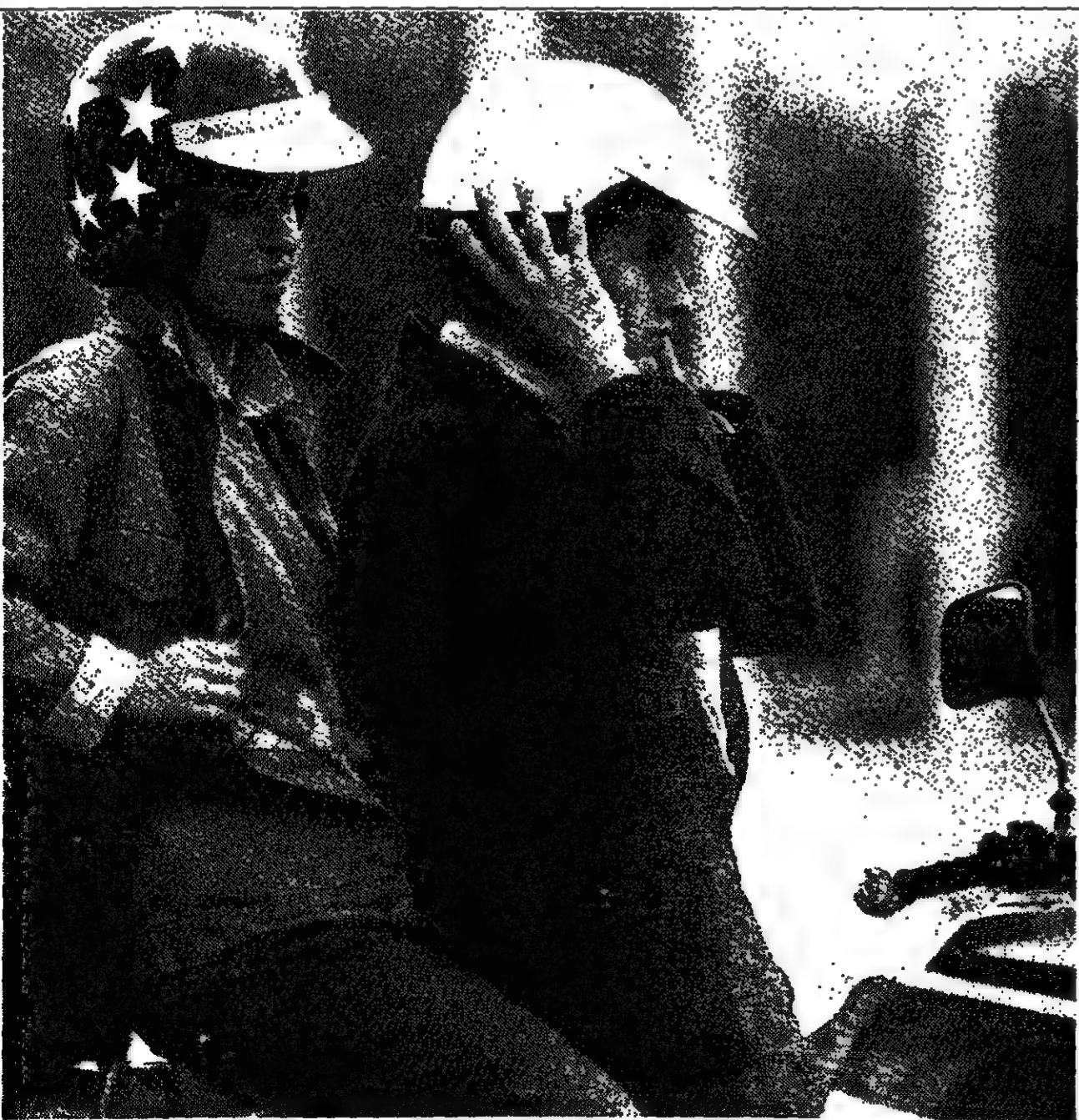
However, other aspects of the larger East-West picture could cause some minor frictions between the two allies. As part of Bonn's opening to the East, the Christian Democratic mayor of West Berlin, Eberhard Diepgen, has invited the East German leader, Erich Honecker, to visit, the western side of the city next month to mark Berlin's 750th anniversary, and that has caused some qualms among U.S. officials about a precedent that could weaken American, British and French control over the western sector of the divided city.

Friction is also possible in the arms-control field. Bonn regards the U.S. decision last year to halt voluntary compliance with restraints of the unratified Strategic Arms Limitation Agreement as a hindrance to hopes for an agreement on reducing intercontinental nuclear missiles.

And, while Bonn remains a loyal supporter of research into President Ronald Reagan's Strategic Defense Initiative, it has made no secret of its concern about the administration's move toward a "broad interpretation" of the 1972 Anti-Ballistic Missile Treaty as a prelude to American testing of space weapons.

Perhaps the greatest of all West German concerns involves the paralysis that has beset the administration as the result of disclosures about arms sales to Iran and diversion of funds to Nicaraguan rebels. West German officials make no secret of their fear that a U.S. government forced into a defensive, inward-looking posture will be unable and unwilling to offer the leadership needed by the Atlantic alliance to meet Mr. Gorbachev's calls for openness and reform of the Soviet system and to see whether it offers possibilities not only for arms control but for détente across a broad range of East-West issues.

JOHN M. GOSCHKO is a diplomatic correspondent for The Washington Post.



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مكتبة النخيل



## Testing Market Strategies

## Firms Push To Grow in U.S. Market

By Edward Roby

**B**ONN — Three years ago, when the dollar was soaring toward 10-year highs against the Deutsche mark, dozens of U.S. manufacturing companies simply abandoned the West German market as their exports became unprofitable.

Now, the tables have turned with a vengeance. The dollar has lost roughly half its value against the mark and the West German export boom has passed its peak. But there has been no such corresponding exodus of West German companies from the vast U.S. market.

Quite the contrary, West Germany's export-oriented industries are pushing ahead with expansion plans in the United States.

Manitex, the Düsseldorf-based steel pipe and engineering company, is currently shipping for a new U.S. acquisition to complement the five production facilities and numerous trading outlets it already has in the United States. Chairman Werner H. Dieter said, "We need to produce more there. We must offer superior service. That can't be achieved without a production base in the country."

The chemical company BASF, which bought into advanced materials, paint, ink and fibers manufacturing operations in the United States even while the dollar was high, said it has plans for direct U.S. investment of well over \$1 billion in the next five years. BASF regards the United States as its biggest growth market.

Behind the contrasting behavior of the U.S. and German companies lurks one of the secrets of the "colossal" U.S. trade deficit: a startling difference in corporate philosophy.

"The typical U.S. company, to the extent that it pays heed to export potential at all, is likely to make its efforts in a foreign market contingent upon a swift return."

Thus, 60 U.S. companies simply pulled out of West Germany in 1984, when they concluded that the high dollar had made their products too pricey, said John Brennan, chief of the Frankfurt-based American Chamber of Commerce in West Germany.

"They said, well, the market has dried up. We'll go home," said Mr. Brennan. "It's the mentality."

The typical West German company will make a long-term commitment to a foreign market and is willing to absorb red ink while it builds up market share. Even when the foreign exchange pendulum swings against straight exporting as it now has, such a company will often seize the chance to invest directly in a foreign assembly base or in related industries to help sell its core product abroad.

"The Germans have always been export-minded. The Americans never have been," said Albert Doermann, a foreign trade specialist with the German Banking Federation.

In West Germany, it is thought that almost one out of three jobs depends directly or indirectly upon international trade. It has been estimated that perhaps three-quarters of all private companies are in some way engaged in exporting. The West Germans are keenly aware that foreign sales are a matter of survival and the key to their postwar prosperity.

This outlook has helped make West Germany the world champion of international com-



Packing up: Worker stamps Roland offset press for shipment.

merce, overtaking the United States last year in value of exports. And unlike the third-place Japanese, whose yen has risen in value against the dollar almost exactly in step with the mark, the West Germans have not had to cope with a sudden spate of business failures and job losses caused by stalled exports.

Japan has been hit harder because around 40 percent of its total exports go to the United States compared with only 10 percent for West Germany. And while U.S. sales slipped marginally last year to \$5.2 billion Deutsche marks (\$30.33 billion) from \$5.5 billion DM in 1985, the West Germans managed to shift some exports to the European Community, where France was already their largest customer.

West Germany achieved a 110 billion DM foreign trade surplus last year, but Hans Christian Schröder-Hohenwirth, president of the German Banking Federation, told reporters at his organization's annual March meeting in Bonn that this "will decline in both real and nominal terms this year."

"A stiff wind is blowing in the face of the German export economy today because of the foreign exchange rates," he said.

The heavily export-oriented machinery, engineering and electrical branches all reported substantial drops in foreign orders for the closing months of 1986. The Bundesbank, or central bank, in its monthly report for February said this development will also take its toll of the domestic economy because these branches have scaled down investment plans.

Rising consumer spending prompted by the disappearance of inflation and higher disposable income compensated for some lost export momentum last year but the economy only expanded by a modest 2.5 percent. Forecasts of comparable growth this year are being questioned as possibly too optimistic.

The volume of West German exports, in response to the shift in exchange rates, began to regress after mid-1985, and the country's real imports have risen steadily since then. But the nominal West German trade surplus remains deceptively high because the same currency rate reversal also produced a dramatic decline in West Germany's import prices.

The surge in imports is what U.S. officials had hoped to achieve by talking the dollar down, but the persistent nominal surplus has made it difficult for West Germany to argue this point. "It is no wonder that this development has created considerable confusion, particularly in the United States," said Gert

Schmidt, deputy director of Industriekreditbank AG-Deutsche Industriebank, in an analysis of the West German-U.S. trade imbalance.

Commenting on the flood of imports during the German Banking Federation meeting, Deutsche Bank Co-Chairman F. Wilhelm Christians said, "We have done exactly that which the Americans had demanded of us."

Even if West Germany were to artificially stimulate its economy, as the United States has suggested, this would have a negligible impact on the demand for U.S. export goods under the circumstances, Mr. Schmidt argued. Moreover, he said, U.S. protectionist barriers or self-imposed export restraints by U.S. trading partners would only frustrate domestic demand in the United States.

The figures on bilateral trade over the past five years show that West German exports to the United States climbed from 28.1 billion DM in 1982 to \$5.2 billion DM last year. But imports from the United States remained little changed at around 28 billion DM.

**T**HE United States exports to West Germany state-of-the-art electronic office machinery, communications equipment, control systems and aircraft, among other items. Much of this would sell at any cost. But there has been little or no effort, for example, to market consumer goods, apparel and other products that might benefit from the increasingly favorable terms of trade for the United States.

"I can't detect any aggressiveness," said Joachim Veit, general manager of the business consulting firm Horst F.G. Angermann of Hamburg.

There is little disagreement that the foreign exchange swing and improving terms of trade will eventually redress the U.S. trade imbalance but "one can't expect it to happen overnight," said Horst Seidler, an economist with the German Institute for Economic Research in Berlin. "The Americans need to give the exchange rates time to make the correction."

The surge of direct investment by West German companies in the U.S. economy will also help to restore balance. Preoccupation with the current foreign trade deficit ignores the major role that U.S. companies like Ford, the General Motors Opel subsidiary and IBM have long played in the West German economy.

"Just consider what it would mean if their products had been exported to Germany," Mr. Doermann said.

## Porsche Has Learned to Cope With Dollar

**S**TUTTGART — Porsche AG is an extreme case of a West German company that depends on the U.S. market. It has learned to cope with currency fluctuations.

American sport car enthusiasts have been the main customers since the 1950s. Until the collapse of the Bretton Woods monetary agreement in the early 1970s, the dollar usually fetched close to 4 Deutsche marks, and exchange swings were scarcely a factor in marketing calculations.

Price may still be no object in the U.S. luxury market, but availability of other products has made the currency fluctuations of the past 10 years a competitive factor for Porsche.

During the 1950s, '60s and '70s, Porsche sold, on average, half of all its cars to Americans. Now, that figure has climbed to more than 60 percent.

"Naturally, the dollar rate is vitally important for us," said Manfred Jantke, a Porsche spokesman. "In the past years, we have earned plenty on exports."

But since February 1985, when the dollar touched a high of 3.47 DM, the U.S. currency has lost close to half its value against the mark. Porsche will easily sell every car it makes this year but it will not earn nearly as much.

Maintaining steady production at full capacity in this kind of market calls for a flexible strategy. "There are no tricks," said Mr. Jantke, "and only a few possibilities."

The most obvious option is a price increase. After holding the line for two years while the dollar was high, the company boosted its prices by about 20 percent last year. Porsche sports cars range from about \$20,000 for the 924 S to around \$50,000 for the top-of-the-line 928 S4.

The company has also resorted to economy measures, notably by cutting back on investment. During the export boom, Porsche had increased capacity to produce 53,000 sports cars last year compared with 32,000 in 1982.

"We think about 50,000 a year would be ideal," Mr. Jantke said. "We will consolidate here."

A third way to compensate for swings in currency-sensitive exporting is diversification.

Porsche has designed motors for German and Italian car manufacturers. It has also done engineering for tanks and helicopters and has designed cockpits and engines for aircraft. A newly developed Porsche aircraft motor is to go into production this year.

The engineering division concentrates on developing automo-

tive products during boom years and places its capacity at the disposal of other companies under contract when business is thin.

The company still regards the United States as its biggest growth market. Domestic sales have retreated to around 15 percent of production and the rest is exported to Britain, France, Swit-

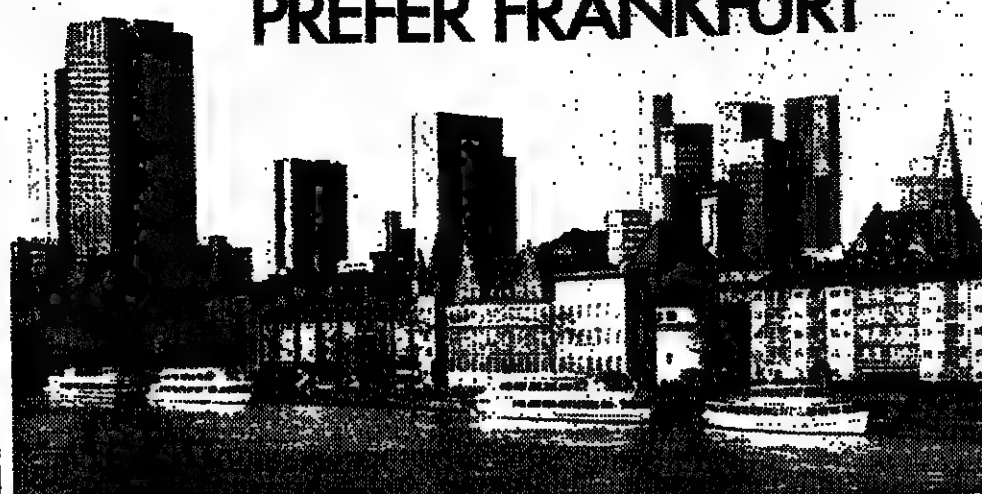
zerland and Japan. The company hopes to increase sales in Japan from 1,000 to 3,000 cars in the next three or four years, Mr. Jantke said.

Porsche's figures for the first half of this fiscal year further demonstrated the ravages of the dollar-mark rate and stagnating domestic demand. It said turn-

over sank 6 percent to 1.71 billion DM from the year-earlier 1.82 billion DM. Domestic deliveries declined 39 percent to 3,267 from 5,397. Foreign deliveries were up 5 percent to 22,002, raising the export quota to 87 percent.

Edward Roby

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# Media Firm Starts Expanding Abroad

By Vivian Lewis

**G**UTERSLOH — It was 531 years ago that the first book was printed with movable type, the Bible of Johann Gutenberg. In March 1987, a further breakthrough for German Bible studies was announced at the Hannover CeBIT computer fair: a compact disc read-only-memory (CD-ROM) that gives scholars multimedia access to the Martin Luther translation and the Hebrew original, using any key word or phrase, in word, picture and sound.

The CD-ROM Scripture is the product of the German Bible Society and Bertelsmann AG.

Bertelsmann, headquartered in this tiny town famous for its pumpernickel, is a little-known family-controlled group, which used to be in the publishing business but now rightly calls itself a media concern. From this provincial place is run a multinational group with interests in books and the press, book clubs, records and tapes, electronic media, radio, TV and film, video and software.

Depending on the dollar exchange rate, Bertelsmann ranks among the top three media companies worldwide, and certainly the largest in Gutenberg's homeland, with 1987 expected sales of 10.2 billion Deutsche marks (\$6.66 billion). Cash flow this year, as last year, is expected to be about 456 million DM. (Net profit figures are not published.)

Thanks to control of the Bantam and Dell paperback houses, Doubleday Books, RCA, music and tapes — the last two acquired in late 1986 — Bertelsmann is nearly as important in the United States as in West Germany. An indirect U.S. subsidiary, Brown Printing, prints Time and Newsweek. Bertelsmann's U.S. sales overall this year will account for 30

percent of the total, West Germany for 40 percent and the rest of Europe for 28 percent. In the book publishing, book and record club, and music and video businesses, three-quarters of the group's sales will be outside West Germany.

In addition to its U.S. investments, Bertelsmann has taken a 15 percent stake in Compagnie Luxembourgeoise de Télévision, parent of Radio-Luxembourg, and has a 39 percent interest in RTL-Plus in West Germany.

Bertelsmann's international expansion is partly motivated by the problem of buying media companies within West Germany. Tight control of takeovers by the West German Car-

## Privately owned Bertelsmann avoids public ire.

tel Office has hampered the company's domestic expansion.

The German public is not buying many more books. The growth in book-buying since 1982 has been concentrated on paperbacks (where there is a lot of competition) and on some types of textbooks. In 1985, the last year for which data exist, West German bookstores sold 13,033 million books, down from 13,857 million in 1984. Export book sales to other countries (notably Switzerland and Austria) dropped more sharply in the same period, and domestic book club turnover fell 6.1 percent.

However, Bertelsmann pushed up its book and record club turnover by 6.9 percent in the year to September 1986 to 1.983 billion DM, making it both the second largest and most successful division of the company (before the U.S. acquisitions). Bertelsmann book and record clubs had 16 million members in 19 countries at the end of last fiscal year, now joined by the largest U.S. juvenile book club.

Magazine publishing in West Germany, as elsewhere, is fighting for a share of a declining market. The result has been a proliferation of new magazines, created in an effort to find a niche in the crowded field. Bertelsmann has been one of the more successful players, with Prima, Flora, Gutes Essen, Geo and Capital magazines (and with Parents and Young Miss in the United States).

Despite the new titles, however, Gruner & Jahr, Bertelsmann's magazine division, its largest, only chalked up a 3.2 percent sales increase last year to 2.43 billion DM.

Being a private company — controlled by Reinhard Mohn, 65, a descendant of Carl Bertelsmann, who founded the firm in 1835 — helps give Bertelsmann its special character. The first book Carl Bertelsmann published in Gutersloh was a hymnal, and the company retains a powerful position in religious publishing. Privately owned, provincial and religious, these factors give Bertelsmann its strength — and weakness.

Not having to focus on bottom-line profitability and annual comparisons, which are simply not published, enabled Bertelsmann under Mr. Mohn to take strategic positions regardless of the short-term costs. The 1977 acquisition of Bantam Books from sellers in Italy's Agnelli group demonstrated that Bertelsmann could act quickly. When General Electric acquired RCA and was looking for someone to take over

its records and tapes business, Bertelsmann was ready.

When Gerd Bucerius, publisher of the general-interest magazine Stern, was looking for a way to ensure that his privately owned Gruner & Jahr group would continue to exist, he turned to Gutersloh and arranged a share exchange. With 11 percent of the action, Mr. Bucerius is the only shareholder besides the Mohn family. The West German Cartel Office refused to allow a complete merger.

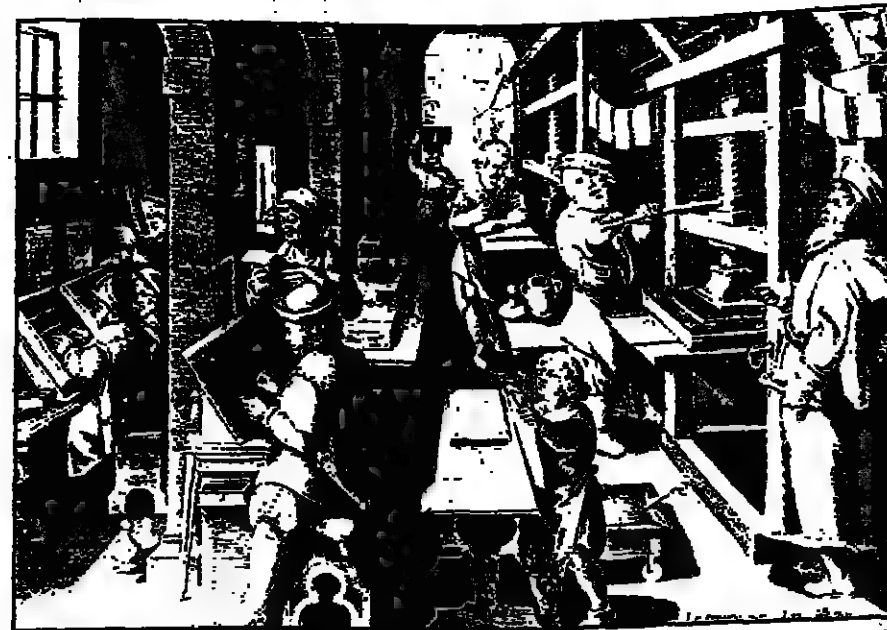
It is because of its private character that Bertelsmann has avoided the kind of public ire that falls on press magnates in other countries. How many Germans are aware that Bertelsmann is the largest magazine publisher in West Germany, controls the Gruner & Jahr magazine group and is the largest shareholder in the news magazine Der Spiegel?

Bertelsmann owns a 24.9 percent stake in Der Spiegel, which, however, is effectively controlled by staff reporters. Meanwhile, part of the family that controls the Burda magazine group picked up the 24.9 percent stake in Springer publications refused to Bertelsmann.

These minority cross holdings are the result of official trust-busting, which has prevented the complete takeover of these newspaper-magazine groups from within the industry.

Both Burda and Bertelsmann are essentially apolitical groups, which, while it has not reassured the cartel office, has enabled them to expand internationally without raising fears of German cultural imperialism.

Burda is breaking up not because of anti-trust action, but because of sibling rivalry. One family branch, F&F Burda KG, which stands for brothers Franz and Frieder, has a 50 percent joint venture in the United States with Meredith and holds the Springer shares. Another branch, brother Hubert's Burda GmbH, publishes a rival to Stern called Bunte, as well



Engraving depicting a 15th century print shop.

as a host of magazines, including Burda France magazine and patterns. Still another company, Aenne Burda GmbH & Co., belongs to the three brothers and their mother. (It just pulled a world publishing coup, getting permission to issue its fashion and pattern publication, Burda Modem, in the Soviet Union.)

Bertelsmann's owners have drawn the obvious lesson from the Burda feud. Their company is to be turned into a foundation upon the death of Mr. Mohn, although this great-grandson of the founder has six children.

Control of the company is indirect, given the large number of independently managed subsidiaries in 20 countries. But there is a house style all the same. "If divisions publish the wrong sort of books, management makes its displeasure known," one official said.

For example, managers of the firm's video subsidiary were ordered to drop some sexually explicit lines. Perhaps because of company constraints, Bertelsmann music-video is losing market share — last year, sales fell 23 percent.

A cautious, morally uplifting provincial tone is not always the best way to sell books. Having published Leo Iacocca's best-seller in the United States, the Bertelsmann group let the opportunity slip and failed to sign up the German edition. A rival is doing very well with it.

In recent weeks, Bertelsmann has made another acquisition that breaks new ground: a newspaper called the Hamburger Morgenpost, its first daily. In a city where 80 percent of the press is controlled by the Springer group, the entry of Bertelsmann counts as a challenge.

## On Stock Exchange, It Helps to Be Insider or Eccentric Contrarian

**F**RANKFURT — The classic facade of the Frankfurt stock exchange building is being cleaned and remodeled. The working crew may only make noise during hours when the exchange is not working, but the fences are there all day. Luckily, the exchange is open only from 11:30 A.M. to 1:30 P.M., which means that reconstruction can go forward precisely because trading is so short.

In West German stock exchanges, timing is everything, and it helps to be an insider or an eccentric contrarian.

West German stock market averages, after doing well in 1985, sagged in 1986. The only investors who came out well are those whose currency is not the Deutsche mark, who bought when the mark was weak and sold when it had strengthened. In dollars, therefore, you would have made 18 percent in West German stock markets in 1986 — but in Deutsche marks you would have lost 10 percent.

These days, buffeted by concern over Volkswagen's foreign-exchange losses, the West German markets are near their low of 1986-87

(1677.6 on the index, compared to a high of 2278.8). But apart from that accidental factor, the markets were headed downward already.

West German companies are big exporters, beating even the Japanese. As the dollar sinks, most West German banks expect corporate profits to be put under pressure from suddenly cheap U.S. competition. When corporate profits fall, stock market operators are bearish.

To overcome that problem, West German banks are waiting for some other factor to come into play to bolster profitability, such as strong domestic demand from a tax cut or a further cut in interest rates.

Moreover, foreign investors, who account for about 30 percent of the trading, are hardly likely to increase their holdings in West Germany if they listen to German banks: If the mark falls, improving corporate profits, foreign investors will lose on the currency exchange.

In West Germany, it is only through banks that one can buy or sell shares, as separate brokers do not exist. Rüdiger von Rosen, executive vice-chairman of the Association of Ger-

man Stock Exchanges, explained: "We don't need 'Big Bang' liberalization. In Frankfurt it is 400 years old."

Some West German forecasters, notably the respectable Kiel Institute, expect 3.5 percent growth of output this year. And the Organiza-

## 'We don't need "Big Bang." In Frankfurt it is 400 years old.'

tion for Economic Cooperation and Development does not expect West German trade surplus to fall below last year's \$25 billion. German investors "like to look at fundamentals," according to Berndt Johann of the stock market newsletter Platowbrief. But they may be misreading the fundamentals.

Many West German shares are at bargain level. German companies use accounting techniques to persistently understate their earnings. One reason is that West German accounts produced for shareholders have to correspond to those produced for the tax inspectors. One

reserves, often equal to 100 percent of fixed assets.

Companies engaging in a takeover may not put "goodwill" into their balance sheet, so they understate the increase in equity that results. Inventories are understated for tax purposes and are not revalued upward if prices rise last year but tax consequences.

Although the situation is changing somewhat, the West German market is still one for "professional investors" and thus differs from the New York, London and Tokyo markets.

Being forced to deal with banks on the exchange floor makes the environment more difficult for West German companies. They are encouraged to further reluctance by the fact that the same huge banks trading their stock are also usually holding their loans.

One reason small investors stay out is that West German markets are relatively unregulated. Insider trading, for example, is controlled only by a voluntary code that applies to corporate officers but not to others in the know. The stock exchange has a committee, headed by a retired judge, to punish abuses with public

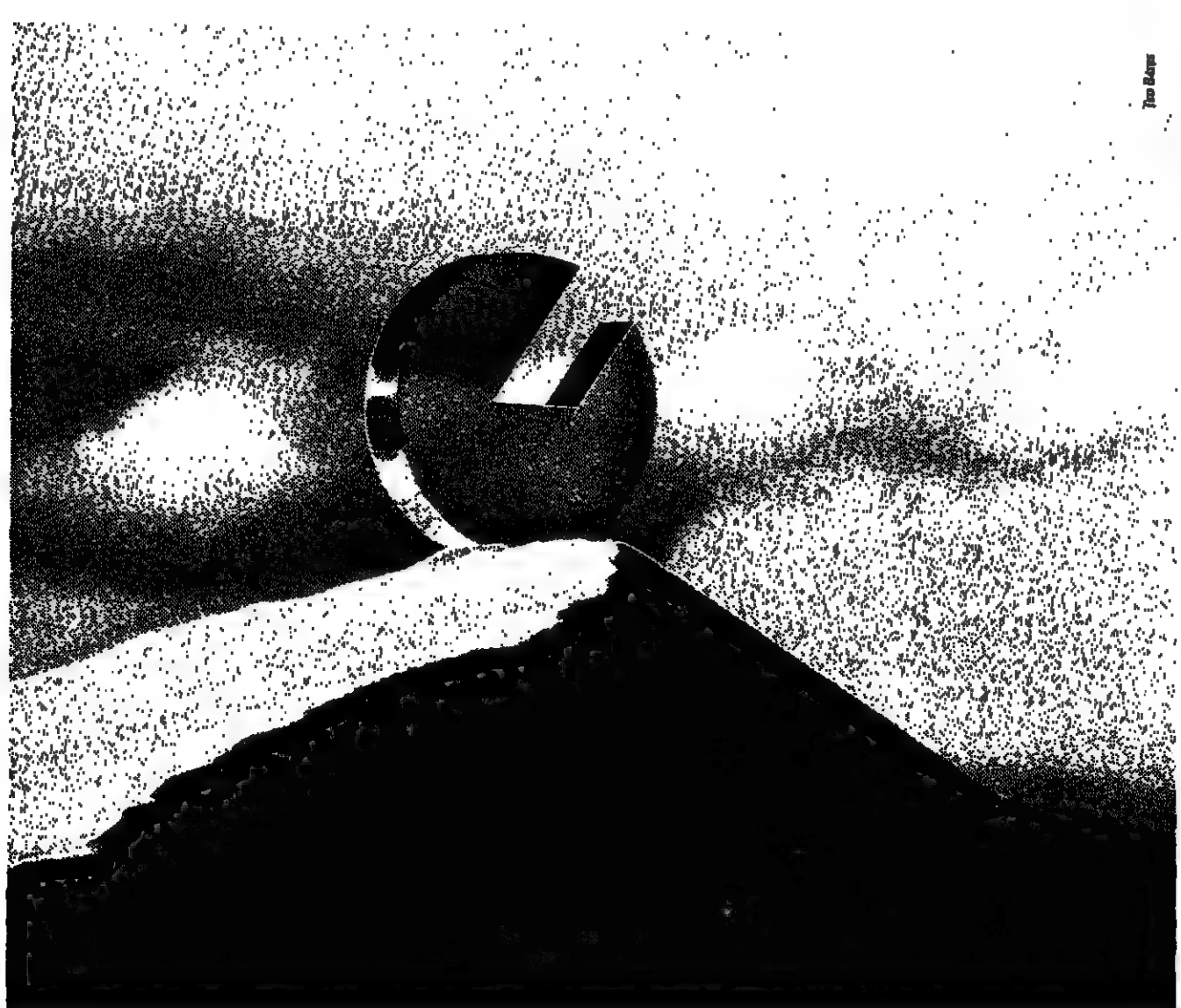
scrutiny and a requirement that the offender repay what he made. But it has no real investigative powers.

West Germany has recently had a wave of new issues, and it will probably pick up after May when a new "second market" is set up on the exchanges. (In addition to official listing, West Germany already has an unregulated "telephone" market and over-the-counter trading, but the new market will be more official.)

A drain on the eight West German exchanges is the government's inconsistency about removing the turnover tax, kept in the current budget despite promises during the election campaign. The tax raises 750 million DM (\$415 million), according to Mr. Rosen — but its effects are costly.

"We are really mad at the government," he said. "We have 250 foreign banks in Frankfurt but ones thinking about coming — like Goldman Sachs — brought out quite clearly that the turnover tax in Germany counters the attraction of coming here."

Vivian Lewis



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## Political Scene

# W. Germans at Top Of Ecology Scale but Plagued by Acid Rain

West Germany is without a doubt the most environmentally politicized country in Europe.

By Thomas Netter

GENEVA — When the European Commission wrote to all EC members recently assessing compliance with its environmental regulations, West Germany came out as more obedient than Britain, Italy, Belgium, Greece and France, despite its reputation as the ecologically worst off in Western Europe.

But West Germany, hardest hit by the Waldsterben, or dying forest syndrome of acid rain, and a victim and perpetrator of pollution of the Rhine River, is at once an example of what is environmentally right and wrong in Europe during the European Community's "Year of the Environment," which began March 31.

Environmentalists say that now is a good time for Europe to take a comprehensive look at its environmental problems. By any standard, 1986 was a bad year, with the Chernobyl nuclear plant disaster, the fire in November at the Sandoz chemical plant in Basel, Switzerland, that badly polluted the Rhine, and, by all accounts, worsening acid rain damage throughout Europe.

Nowhere have these onslaughts against land, air and water been felt more acutely than in West Germany. The rapid expansion of industry, an obsession with heavily polluting, high-speed driving and a romantic notion linking national identity to forests, mountains and the mighty Rhine have made West Germany Europe's most environmentally conscious nation. It is also the main battlefield in the debate over nuclear power.

"West Germany is without a doubt the most environmentally politicized country in Europe, partly because the Greens political party has had such a success," said Adam Markham, director of Friends of the Earth in London. "The West German people put ecology very high on their agenda."

Mr. Markham and other ecologists attribute this to a number of factors.

Until recently, West Germany enjoyed the type of economic prosperity that virtually eliminated

unemployment as an issue, unlike Britain or Italy. In addition, he said, rapid post-World War II industrialization and economic recovery had ravaged the German landscape to the point where Waldsterben gained prominence as an issue years before it did in the rest of Europe.

"In Germany, the environmental groups tend to stress more emotion than figures," he said. "You find that most of them look at this issue in an emotive way. When people could see Waldsterben cutting into the German soul, the love of forests based on literature and history, it went right to the center of the national feeling."

It is this sort of consciousness that allowed West Germans fearful of radiation damage to let vegetables rot in food stalls long after the Chernobyl accident.

And it is a lack of this sense of environmental crisis that has so far generally muffled broad national concern over the environment in societies like France, where ecological disaster is still seen widely as someone else's problem.

"The problem of acid rain is for the moment specifically to the east of France," said Jean-Baptiste Dumont of the World Wildlife Fund-France office in Paris. "The French public is really not so aware of the problem. They understand that something is happening, but they don't see it."

In West Germany, there is a feeling that the rest of Europe is only now beginning to match this sensitivity to the environment, giving the impression that West Germany's situation is far worse than it really is.

"Is Germany the worst in Europe?" mused Rosemarie Oswald, an official of the World Wildlife Fund-Germany in Frankfurt. "Maybe. But I think the problem is that other countries have only lately begun to recognize the problems they have."

STILL, environmentalists say West Germany as well as been slow in reacting adequately. Speed on the autobahns is still unlimited, spurring excessive nitrogen oxide from exhausts into the environment. And though the Greens gained seats during January's elections, Mr. Markham fears rising unemployment could diminish concern over the ecology at a time when such concern should be rising. Groups like the World Wildlife Fund and Friends of the Earth hope that this "Year of the Environment" will help raise Europe's consciousness over environmental issues, especially because of what Miss Oswald describes as a sense of weariness or indifference to the issue that may be setting in.

"People really are very concerned," she said. "But it's always a problem that they can become easily overburdened with. Acid rain has not changed, but has gotten worse. Unfortunately, some people are fed up with the subject. It's very difficult to repeat this point again and again."

THOMAS NETTER is a journalist based in Geneva.

## Political Postcard

"I remain Chancellor."  
— Helmut Kohl, CDU



"A normal nation again."  
— Franz Josef Strauss, CSU



"To grow you always need time."  
— Joschka Fischer, Greens

"Nor weapons in space, but bread for people."  
— Johannes Rau, SPD



"Greatest foreign minister of all times."  
— Hans-Dietrich Genscher, FDP

On Saturday, May 23rd  
Come to Bad Homburg  
(Outside Frankfurt), West Germany, for

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The vintage car event of the year, organized by the Automobilclub von Deutschland (AvD) and sponsored by the International Herald Tribune as part of its centennial celebrations.

The rally will feature vintage cars from all over Europe and will be held over the same course, through the beautiful Taunus countryside, as the Gordon Bennett Cup race of 1904, when Kaiser Wilhelm II gave the official start before a crowd of one million enthusiastic fans.

It will be a memorable day. So, if you are within striking distance of Frankfurt, be sure to come and bring your family and friends. The official start will be at the Bad Homburg "Kurpark" at 9:00 a.m. and the finish will be in the afternoon between 2 and 5 p.m.

James Gordon Bennett, Jr., the eccentric millionaire publisher, founded the European edition of his New York Herald Tribune on October 4, 1887. He was a keen enthusiastic sportsman. He introduced polo to the United States; he won the first transatlantic yacht race; he was the founder of automobile racing and of balloon racing. The Gordon Bennett Cup, which he first offered in 1900 to encourage the infant automobile industry, was the direct precursor of today's international Grand Prix race and was the object of enormous popular enthusiasm at the time. The trophy, which was officially known as the "Coupe Internationale Automobile" in line with Bennett's policy of forbidding use of his own name in the pages of the Herald, today stands in the Automobile Club de France in Paris.



Herald Tribune

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## Business Battles

## For Adidas, Puma, the Real Fight Is Abroad

By Vivian Lewis

**H**ERZOGENAURACH — The sports shoe industry in West Germany used to be able to afford a few luxuries. But in the age of America's Reebok they may have to retrench.

Based in this quaint Bavarian village a few miles from Nuremberg are two world-class companies making sports shoes, Adidas and Puma. Both are controlled by rival branches of the same Dassler family from opposite sides of the Aarbach River.

The family has kept a global feud going between Horst Dassler (Adidas) and his first cousins Armin and Gerd Dassler (Puma), after it had begun between their fathers, the brothers Adolf (Adi) and Rudolf Dassler, who did not speak to each other from 1948 (when Puma was set up) until they died.

Both companies managed to turn a product most people think should be cheap — sneakers — into a world business with high prices. They did this in spite of the strong mark and high German wages.

Several factors enabled Adidas and Puma to compete successfully all over the globe. Both companies specialized in creating shoes that gave the wearer an edge in practicing a sport, with high-tech innovations, above all in soles, and with an extraordinary proliferation of different shoes for different sports.

It would not do to wear marathon-running

shoes if one was running only 500 meters. Technical advances in weight-reduction and ventilation, cleat-fastening and arch and ankle supports were claimed by both houses.

To give their claims more weight, Adidas and Puma scoured Germany and the world to find stars to wear their products. Given the rivalry between the two clans, the signing of up

Spain's Fernando Romay's size 22 basketball shoes, neither firm manufactures much in Bavaria. Europe accounts for only 20 percent of Puma's production, while Adidas lines are often made in conjunction with the Canadian-owned Bata Company, the world's largest maker of shoes, in developing countries.

Both firms have tried to become sports fash-

ioned up its lead by adding enough sales to bring it over \$1 billion, as well as more capacity in special sports shoes as well.

The Reebok phenomenon has had a ripple effect in Herzogenaurach. Puma, which publicly issued its shares last July, a month later had to announce a major reshuffle in the U.S. market, whereby it bought out its formerly independent distributors. This year, its founding family had to pour in 62 million Deutsche marks (\$34.4 billion) in new capital with a subordinated loan. Even more, it has added an outsider, Vinzenz Grothgar, a former banker, to the managing board and has appointed him head of its new U.S. subsidiary in Framingham, Massachusetts. He is now supervisory board chairman.

The main reason for the move was the drop in Puma's U.S. sales from \$179 million in 1985 to \$100 million in 1986.

A shareholder suit is being brought against the firm and its lead underwriter, Deutsche Bank, for misrepresenting the state of its books at the issue.

Over at Adidas, things are probably not much more successful, but because it is a family concern, events are less public. It has laid off 450 workers in Germany and announced that while production under license had stagnated, its own-plant sales had grown by 6 percent to 3.2 billion DM worldwide. Total sales of its label amounted to 4.1 billion DM, level with 1985. It, too, was hurt in U.S.



On the Adidas assembly line: Production reaches 280,000 pairs a day.

Competitor Reebok is growing by leaps in the key U.S. market.

athletes was ruthless and remunerative, as was revealed in Toni Schumacher's recent book in which he told how he lost his job with Cologne's soccer club for wearing the wrong brand of shoes.

Adi Dassler was in the sports-shoe business first, starting in 1920, and created shoes with the famous striped sides starting in 1935, although the Adidas company was only established after the break with Rudolf in 1948.

Both firms manufacture worldwide, with production plants meeting their high quality-control standards in low-wage areas, notably Southeast Asia. Except for special orders like

ion houses by offering coordinated sports clothing, and, in the case of Puma, even sports cosmetics.

But Reebok, with headquarters in Canton, Massachusetts, is growing by leaps and bounds in the key U.S. market, centering its thrust on the West Coast where sports shoes are more popular. Reebok's tactic is playing down the high-tech sports angle and focusing on pure fashion. Reebok sales in 1986 topped \$919 million (compared to \$307 million in 1985) and its profits soared from \$39 million to \$132 million. With its recent takeover of Avia, another U.S. sports-shoe house, Reebok has

sales volume, which fell by 6.9 percent in dollars — and by even more in marks, Adidas, too, absorbed its formerly independent U.S. distributor.

Mr. Grothgar insists that what went wrong for Puma in the United States will not recur, now that the firm no longer has independent wholesalers.

"They misinterpreted the 1986 trend in the shoe industry, as far as style, as far as price segments go," he said. "They ordered the

wrong kind of shoes in too large quantities."

Over at Adidas, they predict a double-digit increase in U.S. sales in 1987.

Mr. Grothgar also insists that the Puma concern is financially viable and that it has no need of a capital injection by letting in partners, like Reebok — or even Adidas.

"Our debt-to-equity ratio is a healthy one-to-one," he said. "Our net worth is 180 million DM on a balance sheet of 360 million DM. We could become overcapitalized."

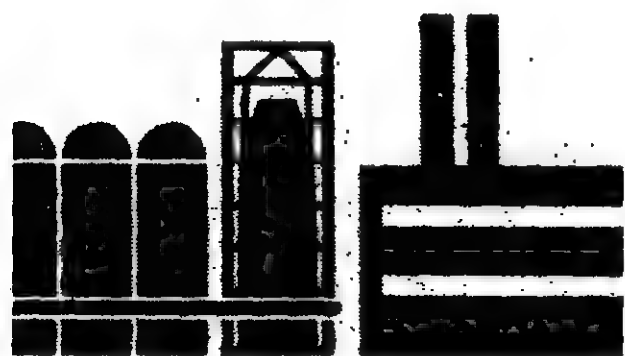
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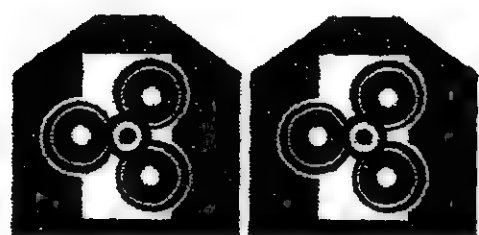


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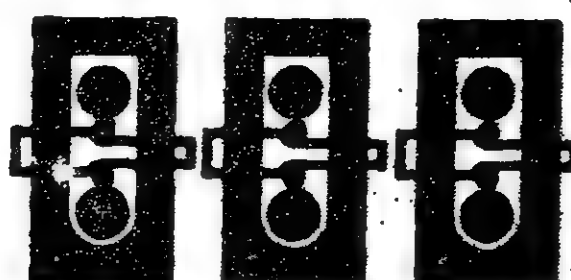
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Integrated plant, blast furnaces, steel mills, continuous casters, electrometallurgical plant.



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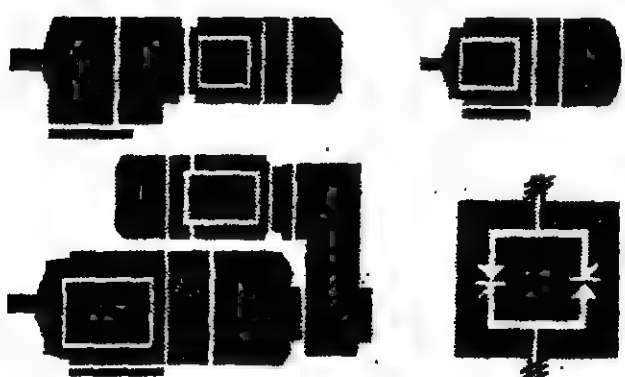
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Rolling mills for beams, sections and wire rod; strip and sheet mills, strip processing lines.



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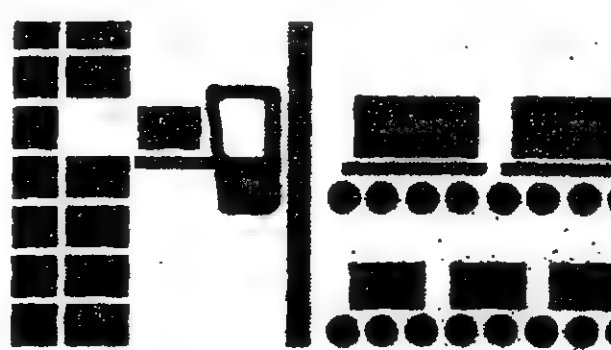
### Industrial Drives

Electric drives, control systems.



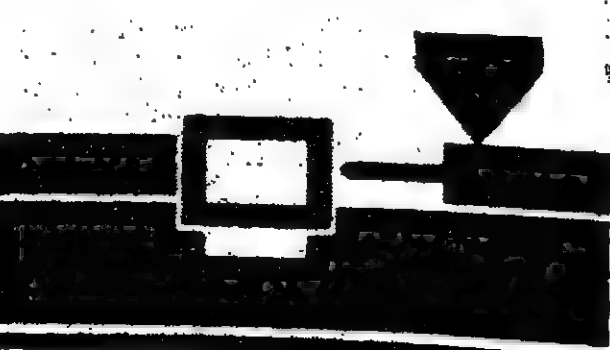
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Hydraulic excavators up to 21 m<sup>3</sup> bucket capacity, mobile cranes up to 1,600 t, road finishers up to 12.5 m paving width.



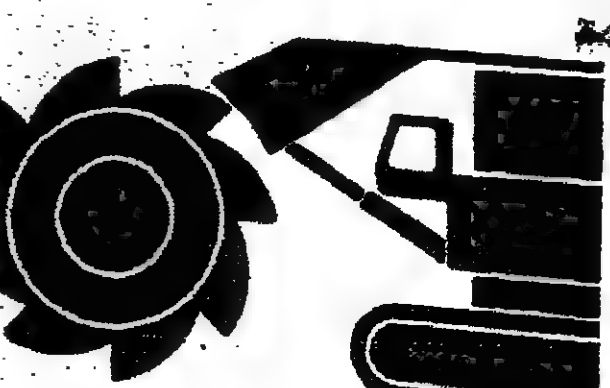
### Mining Equipment

Shaft winding equipment, tunnelling machines, shaft drills, raise cutter heads, compressed air motors.



### Pneumatic Systems

Compressors, pneumatic tools, equipment and components for the building trade and industry in general.



### Bulk Handling

Bucket wheel excavators, reclaimers and belt conveyor systems, container handling systems.











## BUSINESS ROUNDUP

## Swedish Match Will Buy Wilkinson

By Jucis Kaza

STOCKHOLM — Swedish Match AB, the world's leading maker of matches, said Monday that it would buy Wilkinson Sword Group Ltd., second-largest in the field, from Allegheny International Inc.

Swedish Match's president, Hans Larsson, said the company would pay \$160 million in cash for British-based Wilkinson Sword.

The official price is \$230 million, but "after settlement of Wilkinson's internal arrangements with Allegheny, the net payment for Swedish Match is around \$160 million," the company said. It did not explain these arrangements.

With a world market share for matches of 7.5 percent, Wilkinson Sword will boost Swedish Match's position on the world market to about 25 percent, Mr. Larsson said. Swedish Match also makes floor coverings and kitchen furnishings.

Mr. Larsson said the acquisition would raise Swedish Match sales by about 2 billion kroner (\$314.7 million) from the current level of more than 10 billion kroner.

He forecast that Wilkinson would also bring about a net increase in Swedish Match's group profits by next year.

"Starting in 1988, we will get a positive effect on earnings, that is, a net after the cost of the acquisition," Mr. Larsson said.

Allegheny International, based in Pittsburgh, announced on March 9 that it was being purchased by an affiliate of First Boston Corp. in a \$500 million leveraged buyout.

Allegheny, a maker of consumer and industrial products that reported a \$166 million loss for the fourth quarter of 1986, said it would now

concentrate on the North American market and had signed letters of intent to sell Wilkinson Sword and its Pacific appliance group.

Mr. Larsson, the Swedish Match executive, said that through Wilkinson, Swedish Match would acquire a leading position in Brazil, a big market for matches.

Mr. Larsson explained that developing countries were the fastest growing market for household matches, with matches used not only for smoking and but also for lighting household fires.

The acquisition will also establish Swedish Match in Australia, Canada, Ireland and New Zealand as a major manufacturer of matches, the company said.

In addition to the match business, Mr. Larsson said Swedish Match would acquire an important market position in shaving products. Wilkinson Sword makes the razor blades of the same name; the corporate name is derived from a British enterprise that one actually made swords.

Mr. Larsson also noted that the acquisition of Wilkinson Sword included a South African match subsidiary that Swedish Match intended to sell as soon as it was economically feasible.

## Woolworth Bids £244 Million for Superdrug Stores

Reuters

LONDON — Woolworth Holdings PLC said Monday that it would make a £244 million (\$392 million) bid for Superdrug Stores PLC.

The offer would be made on the basis of 17 new Woolworth ordinary shares for every 20 Superdrug shares outstanding, equivalent to 696 pence for each Superdrug share.

Woolworth said it had received acceptances from the holders of 61 percent of Superdrug shares.

The bid is Woolworth's second attempt in recent months to acquire a retail drugstore chain. Earlier this year, it negotiated a possible bid for Underwoods PLC, but the talks were broken off two weeks ago.

Full acceptance of the offer would involve the issue of about 29.8 million new Woolworth shares, or 14 percent of the enlarged share capital. A cash alternative would offer 646 pence for each Superdrug share.

## Japan Railways to Begin Conversion to Private Ownership

Agence France Presse

TOKYO — Japanese National Railways on Tuesday will begin the complex process of converting the 115-year-old debt-ridden network to private ownership.

Six private regional railways — three on the main island of Honshu and one each on the remaining large islands — will take over the passenger service on their share of the country's 20,000 kilometers (12,500 miles) of track.

The high-speed "bullet train" services will be leased to the private lines by a seventh company.

Freight services, data transfer, telecommunications and techno-

logical research will be handled by independent private companies.

The Japanese National Railways Liquidation Corp. will oversee the transfers and will be responsible for discharging a large part of its debts and selling its capital assets.

The new private enterprises will operate under a new name, the Japan Railways Group, and will be overseen by the government for an undetermined period of time.

The private owners will face a formidable challenge in justifying the government's decision to denationalize the rail network by getting it out of the red. Japan National Railways' long-term debts stand at

about 37.5 trillion yen (\$250 billion dollars).

The new railway companies will share 11.6 trillion yen of this debt burden. Land and share sales by the new companies and the bullet train lease will account for another 11.2 trillion yen, according to government figures.

That leaves the Japanese taxpayer faced with paying the bill for the remaining 14.7 trillion yen.

Japan National Railway's blue-collar unions, which face the loss of 61,000 jobs under denationalization, blame the government for mismanaging the railroad and sending it deeply into the red.

## Wallenberg Foundation Raises Stake in Ericsson

Reuters

STOCKHOLM — Sweden's Wallenberg group said Monday it had raised its holding in L.M. Ericsson, the telecommunications and data processing group, to 37.5 percent of the voting rights from 33.9 percent.

The move, by the Knut and Alice Wallenberg Foundation, further consolidated control over one of its key firms, analysts said. The foundation now controls 14.1 percent of Ericsson's voting rights with 22.3 percent held by the group's investment companies.

## Suit Calls BP Bid for Standard 'Inadequate'

By Lee A. Daniels

New York Times Service

NEW YORK — Is the "intrinsic value" of the Standard Oil Co. "materially in excess" of \$70 a share? That is one of the questions raised in a suit contending that a buyout offer by the British Petroleum Co. is "so grossly inadequate and unfair as to constitute a fraud."

The suit, by a group of shareholders, was filed in Federal District Court in Cleveland just hours after the British oil giant announced a \$7.4 billion offer to buy the 45 percent of Standard's stock that it does not own.

Several oil analysts said BP's offer was a good one and they viewed the suit as a routine effort by some

shareholders to wring a few more dollars out of a bidder.

Thomas S. Tracey, of John S. Herold Inc., an oil appraisal firm, called the offer "a fair one by our appraisal results."

Mr. Tracey has valued Standard at \$45.30 a share. Other analysts put the company's value as high as \$60 a share.

Frederick P. Leffler Jr., senior oil analyst at Cyrus J. Lawrence Inc., said that the BP offer was well above most of the other offers made for major integrated oil companies during the 1980s.

The shareholders' suit contends that the BP bid was the culmination of a "preconceived plan" set in motion last year during the abrupt dismissal of Standard Oil's chief officers.

Frank P. Koentzel, of Prudential-Bache Securities Inc., said that Standard Oil's stock, which closed at midday on Monday at \$70.50, had risen nearly 60 percent since BP took a more active role. That means, he said, that institutional and individual stockholders were less likely to challenge BP's bid.

BP needs approval from owners of 80 percent of the remaining shares to be able to force all shareholders to accept its terms.

## BASF's Profit Drops 13.5%

Reuters

LUDWIGSHAFEN, West Germany — BASF AG, the big chemicals concern, reported Monday that world group pretax profit had fallen 13.5 percent in 1986 to 2.63 billion Deutsche marks (\$1.45 billion).

World group sales dropped to 40.47 billion DM, an 8.8 percent decline from 1985, BASF said.

The company said currency movements, particularly the fall of the dollar, had led to a sharp drop in sales denominated in marks and to price reductions for exports from domestic production.

The oversupply and low prices in world markets for crude oil last year also produced a sales slide in the oil and gas sector and forced

price declines for petrochemical products, BASF said.

The fall in pretax profit corresponded to the losses on stocks in the oil and gas sector at the beginning of 1986, BASF said.

In the parent company, BASF said, pretax profit rose by 3.1 percent to 1.97 billion DM.

Parent company sales fell 8.5 percent to 18.72 billion DM, but BASF said this decline was balanced out by increased capacity use and price declines in raw materials.

The group said it expected business to be satisfactory over the coming months. "At the moment we do not expect any extraordinary influences such as there were last year," it said. Orders in hand and new orders were steady at a high level, BASF said.

## Mannesmann Moves to Control Fichtel &amp; Sachs

Reuters

DUSSELDORF — Mannesmann AG has reached a series of agreements giving it an indirect majority stake in Fichtel & Sachs AG, a car parts group, Mannesmann said Monday.

The takeover is contingent on approval from the Federal Cartel Office, a Mannesmann spokesman said.

The steel and pipe-making concern is buying 75 percent of the holding company that owns 57.5 percent of Sachs AG, which in turn holds 96.5 percent of Fichtel & Sachs. Mannesmann is also buying a 25.01 percent interest in Fichtel & Sachs from Commerzbank AG and has an option to buy the bank's remaining 10 percent stake, the company said.

In addition, Mannesmann is talking with the state-owned steel group Salzgitter AG on buying its 24.98 percent stake in Fichtel & Sachs. That would give Mannesmann more than 75 percent of Fichtel & Sachs.

The parts company has annual sales of 2.2 billion Deutsche marks (\$1.21 billion).

## Arbed's Earnings Fell 21% in 1986

Reuters

LUXEMBOURG — Arbed SA said Monday that profit for 1986 fell 21 percent to 890 million Luxembourg francs (\$23.6 million) from 1985, on an 11 percent drop in revenue to \$7.8 billion francs.

The steelmaker said that its board would decide on April 24 whether to pay a dividend. The company has not paid a dividend since 1984.

Arbed reported that in addition to the general deterioration of the steel market, its competitive position had weakened considerably in the second half of 1986, leading to a 7 percent cut in steel output for the full year to 3.74 million metric tons.

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Via The Associated Press

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## هكذا من الأهل



## CURRENCY MARKETS

## DOLLAR: Plunges Below 145 Yen to Postwar Low

(Continued from Page 1)

abandon the dollar in favor of other currencies, dealers said. "It's a somewhat irrational," said a dealer for a large West German bank. "To us, the reaction by our colleagues in Tokyo does not seem warranted. But once panic selling gets started in a particular market, it is very difficult to stop."

The Tokyo rally came on comments by Prime Minister Yasuhiro Nakasone that six major industrial nations had agreed at their meeting in Paris in February to hold the dollar above 150 yen. Japan's finance minister, Kiichi Miyazawa, said all six — Britain, Canada, France, Japan, West Germany and the United States — had agreed to intervene in the market to try to ensure that outcome.

But central bank intervention was ineffective on Monday. The Bank of Japan bought an estimated \$2 billion in a futile effort to slow the dollar's descent, dealers said. West Germany was also rumored to have intervened when the dollar threatened to drop below 180 DM in Europe. But sources close to the Bundesbank said no such action had occurred.

"The feeling here is that the move in Tokyo was a bit overdone," said Don Holland, vice president of foreign exchange at Discount Corp. in New York. "We think the dollar is going to stabilize

London Dollar Rates		
Cash	100	100
Deutsche mark	1.680	1.680
Swiss franc	1.410	1.410
Japanese yen	143.0	142.75
French franc	1.665	1.665
Source: Reuters		

and then move higher for a few days."

The dollar has become the U.S. government's primary weapon in its dispute with Japan over trade imbalances. The Reagan administration has been pushing the Japanese government for months to stimulate its domestic economy and to ease access to the Japanese market for U.S. companies.

Japan agreed in Paris to move to redress those issues.

But statements last week by the U.S. Treasury secretary, James A. Baker 3d, and other officials showed frustration at the lack of progress. Mr. Baker said no target had been set in Paris for the dollar against other major currencies. That remark sent the dollar tumbling, while the yen soared.

"The dollar was used as a weapon, particularly last Thursday and Friday, when the Fed didn't intervene to support it," Mr. Holland said. "I think the administration wanted to provoke some reaction by Japan's trade officials, and it worked."

## JAPAN: Resentment of U.S.

(Continued from Page 1)

seething attitude of Americans toward the country.

And Mr. Nakazawa cited an American study that estimated that eliminating all barriers to the Japanese market would increase U.S. exports to Japan by between \$5 billion and \$8 billion — just about one-tenth of the trade imbalance.

In any event, the United States, with its protection of textiles, steel, automobiles, machine tools and agricultural products, is hardly an unblemished free-trader, said Makoto Kuroda, vice president for international affairs in the Ministry of International Trade and Industry.

"Every country has something to protect," Mr. Kuroda said. "And we are ready to take away these 'something's' if it is reasonable."

He and others say that trends already taking root will help Japan's trade surplus eventually. Foremost among such trends is the rapid appreciation of the yen, which is producing changes in trade figures that most Americans do not notice because the trade figures are reported to them in dollars rather than yen.

Mr. Kuroda noted that the value of last year's exports to the United States, measured in dollars, rose 23.3 percent but, measured in yen, dropped 13 percent.

Koji Watanabe, director general of the Foreign Ministry's Economic Affairs Bureau, contends that Japan's economy is already moving away from its traditional reliance on exports for growth.

In the fiscal year ending Tuesday, the Economic Planning Agency estimates, Japan's gross national product has increased 3 percent, with domestic demand responsible for most of the gain. Exports actually fell about 1.3 percent, while domestic demand grew about 4.2 percent, according to the agency. GNP is the total value of goods and services produced by an economy.

These shifts have been set off by the rise of the yen. Since September 1985, exporters would have had to increase dollar prices by more than 60 percent to receive the same amount in yen. But Japanese companies have kept prices as low as possible to retain market share, and corporate profits have fallen.

## TRADE: For Many in U.S., Japan Presents Textbook Case of Unfair Practices

(Continued from Page 1)

mobile parts, with the 1981 shipments alone to be \$300 million. But since 1980, purchases have totaled only \$200 million, according to Representative Nancy L. Johnson, a Connecticut Republican.

Japan is also viewed as having a policy of using nontariff barriers to discourage supercomputer, semiconductor, telecommunications and other high-technology imports, while giving these industries special credits and tax incentives. Eventually, the products are sent to world markets to challenge U.S. technological leadership.

Japan is also seen as ignoring its responsibilities to developing countries by shutting out their manufactured goods, which then go to the United States. Figures from the General Agreement on Tariffs and Trade show that in 1979 Japan took 11 percent of Third World manufactured exports, and the United States 45 percent. In 1985, the proportions were 7 percent and 62 percent.

This year, many agree, Congress may make Japan a target. The administration acted on semiconductor after other houses unanimously backed a resolution calling on President Ronald Reagan to take punitive measures because of violations of the agreement.

More than half the members of the Senate are co-sponsors of a provision in the Senate Finance Com-

mittee's trade bill accusing Japan of "conducting adversarial trade."

Senator Bob Packwood of Oregon, the ranking Republican on the committee, directs the Reagan administration to file a comprehensive case against Japan under Article 23 of the GATT, charging that the pattern of Japanese trading practices, in the senator's words, "broadly impairs the benefits to which GATT signatories are entitled."

The GATT article states that, if the actions of any of the 93 signatories deny trade advantages to others, the injured parties have the right to compensation.

Administration officials view such action as excessively strong.

But frustration is rising on Capitol Hill and in the administration.

Senator Danforth says: "You negotiate down one barrier and, as soon as you have gotten that out of the way, you find five more have cropped up to take its place. So you start a whole new proceeding, and

you get rid of that barrier, then you have got five more. And it is just trading war."

The trade battles with Tokyo used to be fought over baseball bats, vitamin E cream, beef, citrus, rice, leather, tobacco and other consumer products excluded by rigid quotas or more ingeniously conceived barriers.

Now the conflicts involve semiconductors, supercomputers and telecommunications. The reason for the deepening resentment in the U.S. government and in business is that these industries, representing the cutting edge of American technology, are directly challenged by their inability to penetrate the Japanese market.

Professor David B. Yoffie of the Harvard Business School said that exclusion from the Japanese market meant that American industries were denied the sales volume that they needed to recover their huge research and development costs.

## FLIGHT: Attendants Fear Economics May Resurrect 'Coffee, Tea or Me' Era

(Continued from first finance page)

mists say, there is unlikely to be much of a gray train for any airline employee any longer. Of course, not all flight attendants are looking for a career. For some, the job represents a free ticket to exotic places. For others, it offers the kind of flexibility that enables them to go to school or pursue hobbies.

But the union leaders insist that adventures and dilettantes have no place in the flight attendant's world. What is needed, they say, is more people like Ulrike Derickson, a TWA flight attendant in her mid-40s who helped deliberate with hijackers on a jet that was commandeered to Beirut in 1985. "Younger flight attendants would have been handicapped by inexperience," said Patricia Stevens, a spokeswoman for the TWA flight attendants' union. Not so, counters William Hoar, TWA's vice president of industrial relations. "It is a service job, and people of any age can do it," he said.

Precisely because it is a service job — and because, in many ways, it strikes at the heart of current women's issues — economists and sociologists have taken a keen interest in the arguments from both sides. They say that, in years to come, trained female employees in service jobs will increasingly dominate the employment landscape. And, they say, the flight attendants' unions, as strong unions led

brought the average age of attendants down to 32; it was 36 in 1983. New hires at nearly all of the airlines have come on board under dramatically lower pay schedules. Typically, entry-level flight attendants are paid \$12,000 a year, and only get raises for five years. After

'Management never really bought into the idea of this job being a career.'

— Susan Bianchi Sand  
Head of Association of Flight Attendants

by women, may be the pioneers of the labor movement of the 1980s. Right now, the airline unionists are most upset about the inflow of young workers that, they say, has made management believe it can, with impunity, hold salaries low. Across the industry, the average new flight attendant is 25, female and holds a combination of four years of college or work experience, according to the Future Aviation Professionals of America, a career information agency in Atlanta. At American Airlines, for example, the spate of new hirings has

that, they reach the pay ceiling — and, most probably, leave. "It's not like I'd be giving up a whole lot," explained one 28-year-old flight attendant, who says she will quit if her salary remains below \$18,000 for long. "If I were making \$35,000, it might be different."

The unions say this is the kind of reaction that management wants. That is one reason the unions are trying to get rid of the two-tier pay scale that they themselves negotiated in the early 1980s to avoid pay cuts for veteran workers.

But most of the airlines note that

they did not fire the older flight attendants to make room for the new. The Future Aviation Professionals group says that scheduled airlines last year alone hired 16,000 flight attendants.

Moreover, airline managers note that in most industries new people coming into entry-level jobs are younger than the veterans, and work for less. "The old pro knows what to expect and the rookie has more energy," said Lowell Duncan, an American Airlines spokesman. "We need both types."

Few airline managers put any stock in the union insistence that experienced flight attendants present a safety hazard.

But the unions, insisting on the point, say that most airlines have shunned their efforts to get the U.S. government to test and certify flight attendants. With certification, the unions contend, the airlines could upgrade safety training programs that teach flight attendants such as hijackings, turbulence, decompressions and sudden evacuations.

Miriam Rozen is a reporter at Investment Dealers' Digest.

## BRUSSELS: End of the Boom?

(Continued from first finance page)

remains unresolved, so investors are still a bit jittery. "Political events may exercise a decisive factor" on the market's 1987 performance, noted the review by Banque Bruxelles Lambert.

Furthermore, a five-year tax-saver plan begun in 1982, known as the *Lot Memory*, expires this year, and many analysts fear that stock investments made under the plan in 1982 may be sold off this year. Such an eventual sell-off would not sink the market, the analysts say, but much of the gains attributed to the *Lot Memory* pension purchases could be offset.

Overall, the Belgian Bourse has

the reputation of being one of the steepest markets in Europe, if only because it is so narrow. About 5 percent of the listed companies account for 55 percent of the market capital, according to Banque Bruxelles Lambert. Petrofina, the largest company listed on the Bourse, counts on its own for 12 percent of the market capital.

Another calming factor for the Bourse is the fact that transactions of more than 10 million francs can be conducted outside of the market and need not be reported to Bourse authorities. Many analysts believe that at least half of the country's share transactions are conducted outside of the market, to save on brokers' fees and state taxes.

## U.S. Home Sales Fell in February

(Continued from first finance page)

WASHINGTON — Sales of new homes fell for the second consecutive month in February, declining by 2.7 percent, the government reported Monday. The Commerce Department said new single-family homes were sold at a seasonally adjusted annual rate of 680,000 units in February after an 8.6 percent decline in January.

The decline was accompanied by a drop in the median price — the point at which half the homes cost more and the rest cost less — which fell 3.6 percent to \$96,300.

## Monday's OTC Prices

NASDAQ prices as of 3 p.m. New York time. Via The Associated Press.

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## SPORTS

## The Final Two's Final Step

By William C. Rhoden  
New York Times Service

NEW ORLEANS — At first glance, the national championship game between Indiana and Syracuse Monday night seemed to lack the ingredients for a classic basketball confrontation.

Unlike the semifinal game Saturday between Indiana and Nevada-Las Vegas, the tensions that make for dramatic, contrasting styles, clashing systems, the first meeting between two coaching masters — were missing.

But the final promised to be explosive. Indiana and Syracuse are strikingly similar, and the final was likely to have more strategic nuances than either team's semifinal game.

"I think Indiana is similar to St. John's in our league," said Coach Jim Boheim, whose Syracuse team finished in a three-way tie with Georgetown and Pitt for first place in the Big East Conference this season.

"They are an excellent defensive team, they let you come to them," Boheim said. "You have to execute well in the half-court offense. You're not going to get transition baskets. We have to execute well in the half-court game, and that is a large order."

In a game that matched teams from the Big Ten and the Big East Conferences for the first time in a national championship, Indiana was favored over a Syracuse team that not many knew or appreciated until last week, when the Orange upset North Carolina.

What fans saw then and what they might have seen Monday night was one of the most well-rounded, explosive teams in the country. But whether the Orange would be able to play consistently enough to stay close early or have the mental toughness to win was a question mark.

"You have to have three things to be able to play well on offense," said Bobby Knight, the Indiana coach. "You have to be able to play inside, get the ball inside, and do things well on the perimeter. They do all three things. Defensive-ly they are a very aggressive team that can come at you in a couple of different ways."

The Orange, using a multi-pronged attack on offense, have averaged 83 points a game this season while holding opponents to 72.7 points and 43.3 percent shooting. Indiana has averaged 82.3 points during the season and 92.2 in the tournament. The Hoosiers, playing basic man-to-man defense, have held opponents to 70.9 points per game and a 45 percent shooting average.

Indiana and Syracuse faced similar problems Monday night — stopping a bruising inside attack and controlling one of the opposition's backcourt players.

For Syracuse, that meant trying to stop Steve Alford, Indiana's 6-foot-2 (1.88-meter) guard who excels in coming off of picks and screens. Alford was masterful on Saturday, scoring 33 points on 10-of-19 shooting. Not only did the Hoosiers pick for Alford, but the front-line players — Rick Calloway, Darryl Thomas and Dean Garrett — set effective picks for each other.

"Nobody we play screens as well as Indiana does," said Boheim. "Alford does a better job of reading the screen than any other player. They just make such a conscious effort. Whoever plays him will have to get help, but he'll have to be very tough-minded and tough physically to play him."

The task of guarding him would fall to one of three people. The candidates are Sherman Douglas, the sophomore point guard; Greg Monroe, the senior guard; or Howard Triche, the 6-5 senior swingman and the team's best defensive player.

"It's going to be tough because Alford runs off a lot of picks and screens," Douglas said. "It will be the team's responsibility to push him and make him earn his shots. He can't have open shots."

Douglas added: "The key to our game will be what's been the key for our season all year — if we can rebound and shoot our free throws."

A key player for Indiana is Calloway, the versatile 6-6 forward. He averaged 13 points and 4.4 rebounds a game this season. Garrett, the 6-10 center, gives the Hoosiers a shot-blocking threat and Keith Smart, a 6-1 junior guard, gives them another elusive one-on-one player.

Indiana was up against offensive diversity. All five Syracuse starters average in double figures, and each has a unique role.

"We play offensively the way we've always played, and that's for everybody to be involved," Boheim said. "We try not to go to one or two guys. We've always been balanced at Syracuse, and I think it's difficult to play us and say you're going to stop one or two guys."

Douglas has been the catalyst for the Orange this season and could be instrumental in stopping Alford. But during the tournament, Ronny Selkay, the 6-10 center, has been Syracuse's most important player. In the tournament, Selkay has dominated opposition centers with a consistency he rarely displayed during the year and has averaged 25 points a game — 10 more than his season average.

Derrick Coleman, the talented 6-9 freshman forward, will also be important. "Our defense has been better in the last few weeks due to the development of Ronny and Coleman," Boheim said. "The one thing we have this year is two shot-blockers. If you have one occupied, the other one can still be in the area. That's been very important to us."

Depth, once thought to be a Hoosier weakness, has emerged. Joe Hillman, the 6-2 sophomore guard, and Steve Ehl, the 6-6 junior forward, have made contributions off the bench. Syracuse has gotten good performances from two reserves, Steve Thompson, the 6-4 freshman guard, and Derek Brower, the 6-9 junior center.

But in the end, the outcome would be determined by the starters, and to a large extent by how well Syracuse controlled Alford.

"We fight the negative publicity day after day. There's always the innuendoes," Vaccaro said. "This basketball team did 20 times as much work in a week as we did in 20 years. It showed the city in another light. People forget that we're a town, we're a community. Our kids go to school here and we have churches."

The city's legal sports books reported heavy betting Sunday on the Indiana-Syracuse matchup for the national championship — bets that would never have been placed had UNLV beaten Indiana.

State gaming regulations prohibit betting on the state's amateur teams; had UNLV reached the final one of the year's biggest betting events would have dried up.

But on Saturday the bookies were cheerleaders. "We had 300 to 400 people jammed in here cheering for the Rebels and there wasn't any betting on the game at all," said Jimmy Vaccaro, manager of the Bally's sports book. "I was caught up in the game even though there wasn't a nickel bet on it. I was rooting for the home team."

At the Las Vegas Club, every set was tuned to the UNLV-Indiana game. "We had so many people in here cheering that I had complaints from some people that they couldn't see," said owner Mel Exter. "It was a great game. I just wished the score had been different."

Exter said betting on the Syracuse-Indiana

final was consistent Sunday, with most bettors favoring Indiana.

He opened the game with Indiana a two-point favorite, but quickly moved the Hoosiers to a four-point favorite as more money came in on Indiana.

"There's some real good betting on the game," he said. "I'll take the bets, but I still wish the Rebels would have been there."

Most of the bookmakers agreed that the publicity UNLV received by getting into the Final Four was worth far more than could have been won on any of the games. Even for oddsmakers in a city built on gaming, image is important.

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"There's some real



## ART BUCHWALD

## The Electronic Ministry

WASHINGTON — "Lord, listen to me. This is the Reverend Shorty Beans, broadcasting on Channel 83, from the 'Electronic Church of the Tender Walley' in Boosterville, Virginia. This is not a test. I'm up to my cowboy boots in trouble."

"Somebody's trying to take my flock. I suspect it's that garden snake Reverend Jimmy Haggard, the one who takes Master-Card and VISA to heal arthritis sufferers. He wants my ministry so he can cash in on my late-night listeners. God, I need You to come up with a poison pill defense against this diabolically hostile takeover."



Buchwald

"Lord, don't listen to the stories about me committing a sexual transgression with my secretary in the TV control room. This is just the Devil's blackmail put out by Haggard to hurt my Nielsen ratings. You know and I know there is less than a penny in the 'Church of the Tender Walley' than any TV pulpit in the land."

"Haggard is putting out the word that I've sinned in church business administration. He got to hell. Last year we grossed \$100 million, of which you got two. Sales of my wife Barbie's gospel album have soared through the roof. The condos on the Red Sea Golf Course are finished, the Cain and Abel amusement park is SRO, and over 100 million another way to the 25-story Sodom and Gomorrah Motel."

"Haggard can't come close to our numbers. Ask him how many Sea of Galilee hot tubs he sold last month. He almost put his church into bankruptcy."

"Lord, we're willing to make any changes You want to cut expenses."

## Dollars to Restore 'Arc'

PARIS — A multi-million dollar project to restore the Arc de Triomphe, the monument Napoleon put up to glorify his victories, is to be financed partially with American funds, the Culture Ministry announced Monday.

You tell us how many on-camera faith healers to fire and we'll do it. Barbie is starting to save money already. She's dumped the entire symphony orchestra that always accompanies her spiritual version of 'I'll Be a Rich Man.' And we've cut back on the fireworks display we set off every time a pledge of \$5,000 lights up the telephone board.

"And get this — I decided to take a salary cut. I intend to say today on the air that I will accept no more pay from the 'Church of the Tender Walley' than Lee Iacocca takes out of Chrysler."

"Haggard has no right to bad-mouth me, Lord. He's Satan's hater. If you allow him to take over our TV show the ratings will plummet to zero. He'll drive every viewer from our channel to 'Miami Vice.'"

"Lord, I've got a great ploy to stop the takeover. I'm going to announce that, if the listeners don't give me \$8 million to prevent Haggard from grabbing my church, I'm going to be 'bye-bye' Reverend Shorty because I'm going to that big cathode tube cathedral in the sky."

"If that fails I will go for broke. I shall say that if my congregation doesn't raise the money I'm going to do something desperate. I'll go into a run for president of the United States."

"I know what you're saying, Lord. Where do I come off running for president? It's very simple. I have all the qualifications any candidate has this year, not to mention my own TV network. I'm going to tell my flock a vote for me is a vote for You and — if you don't mind, Lord — I'm going to reveal that I have your endorsement. And if this doesn't do the trick I will bring up my war record."

"You don't have to make any personal appearances for me, Lord. By the same token You don't have to make a big deal of it if You are not going to be there."

"I think I've covered everything. We're only three minutes to air time. What I'm asking from You, Lord, is to help me stop the Devil's takeover of my ministry. If this means a Holy War, they will be done. Trust me, Lord. I will always keep one eye on You and the other on the bottom line."

## With Cousteau Aboard Calypso

By Phil McCormbs

Washington Post Service

WITH Captain Jacques-Yves Cousteau standing on the bridge and the French tricolor flying above, the Calypso of Toulon, perhaps the world's most famous adventure and exploration ship, eased into Papete harbor in the heart of French Polynesia at 8:30 A.M. on March 11. Cousteau looked at his watch and declared, "On time!"

Then he went out to the flying bridge to smile and wave at the small group of colorfully dressed men, women and children waiting on the dock to greet him.

The Calypso tied up at the French Navy Yard, where Cousteau, who spent nearly three decades in the navy before retiring in 1957, believes the ship will be safe from the hubbub of downtown Papete, and where the wooden bottom can be scraped, caulked and repainted.

The four-month voyage off New Zealand will be edited into a two-hour television special as part of Cousteau's "Rediscovery of the World" series.

Calypso, with its crew of divers and underwater cameramen, its Hughes 300-C helicopter nicknamed "Felix," and its big yellow shark cage securely lashed to the foredeck, wound up four months of exploration in New Zealand with a trip through the Kermadec Islands, a string of volcanic outcroppings belonging to New Zealand and lying more than 400 nautical miles northeast of the mainland, before sailing to Tahiti.

In the Kermadecs, the final days were filled with turmoil as the divers, photographers and scientists scrambled to cover the new material they found there, and also filled in gaps from previous seasons detailed in lists written by Cousteau in green ink, "multiple dive" — all diving natural — the legend of the giant groupers he and his crew

duction in speed... the interrogation of returning divers.

Cousteau worked in a low-key, friendly way with his crew, but he was relentless in his effort to have every detail filmed the way he envisioned it.

"There's a limit to what the viewer can assimilate," he said. "That's my big problem here — there is so much, it is beginning to be a problem in editing. One has the question of conservation, of the Maori kids. It is all so rich."

From the sea, Tahiti appears very beautiful — sharp volcanic hills rising green into banks of fluffy clouds, the surf breaking white on the outer reef. But as Calypso made its way across the harbor, a good deal of trash was visible in the water.

Calypso had been chugging along at a steady 11 knots from Raoul Island in the northern tip of the Kermadecs to the Papete harbor — 1,706 nautical miles.

This was pure voyaging, a throwback to another era — a day after day upon the sea. The crew fell into a routine of sleep, watch, work. The meals were a high point of sociability. Men sat the sun after work, smoking, drinking coffee from huge mugs and watching the sea go by.

Mornings, Cousteau huddled in his cabin until noon with Richard Murphy, the Cousteau Society's vice president for science and education. They discussed projects and mapped the society's policy and future plans. The list of projects is amazing. A Cousteau Ocean Center is being designed for central Paris, and negotiations for similar centers are under way with several cities in the United States. Cousteau comic books are being published in French, as well as cards of underwater life — much like baseball cards — to which kids can buy a monthly subscription. "We are preparing a book for the Third World — very simple, illustrated, and inexpensive paper," Cousteau said. There will be monthly "Videologs" for society members on



Jacques Cousteau, right, consults with the Calypso's captain Albert Falco.

the work of the Calypso crew and other Cousteau employees.

Already a staff is at work in Paris on a "peace almanac," similar in format to the 838-page ecology almanac ("An Inventory of Life on Our Water Planet") published by Doubleday in 1981. This is a vast mishmash of material, including essays on hamburgers and paper clips, with an introduction by Cousteau stressing "a self-desire to share... resources more equitably."

Cousteau almanacs on education and the Third World are also envisioned, he said.

At the same time, Cousteau had been working off and on, on a personal book, which he said is a "book of ideas" and not his memoirs. At dinner one night he got to talking about the future and gave a sample or two from the book.

"The irony," he said, "is that people will work only an hour a month because of automation, and then spend the rest of their lives trying to repair the damage done by civilization. In my book, I have [a scenario] in which, after all the dangers of the bomb and starvation in the Third World have come to pass, finally, by gene manipulation, we achieve the eternal. People don't age. They die only by accident."

"Then what should they do? They re-create evolution from the beginning! They create a super zoo with every possible mutation as part of a favorable environment, and we get back to where we are now! Finally, they communicate with other civilizations that are developing, and they all end up eternal. They decide not to fight anymore — no star wars. There's a big meeting, and it's like

Olympus because they're gods — and you're back to the original Greek concept of the gods on Olympus ruling the world. So that's how I see the future of our universe."

Breakfast aboard Calypso is simple — some bread and jam and coffee eaten casually — but lunch and dinner are fabulous productions, each meal a tribute to the superb training and skill of chef Patrick Bernard, who studied for two years at the Hotel Savoy in Brittany — and whose occasional outbursts could be heard emanating from Calypso's tiny galley as the ship from time to time rolled badly and spilled a pot of boiling water.

Meals were served in the wardroom, the only indoor common space aside from the bridge and communications room. If you are 6-foot-11 and wearing shoes, you cannot quite stand upright in the wardroom, which is smaller than an ordinary apartment bedroom. There is a bookcase and storage units down one side and at one end, and a long dining table running from end to end.

Cousteau headed the table at the first sitting, and Simone Cousteau, the captain's wife, the world's first woman diver — and first lady of the Calypso — at the second. There was always red wine — New Zealand vintages, mostly, on this trip — which was drunk from water glasses. Bowls of French bread and some condiments completed the setup.

Weather is a constant concern. January through March is a dangerous time in these latitudes, and during the weeks we were at sea several cyclones swept through the South Pacific.

While we were in the Kermadecs, a cyclone crossed the path we

would later take to Tahiti. And on March 9, when we were just 520 nautical miles from Tahiti, Albert Falco, the ship captain, reading a weather map, announced that a cyclone with winds in excess of 100 knots was in the northwest and heading for the Kermadecs, which we had left four days earlier.

"We are so lucky," Falco said. "Calypso is so lucky." He said he had never been on the ship through such a storm, "and I hope I never have to. Calypso goes 11 knots, and sometimes a cyclone goes 15, 25, 30 knots. You cannot run away." The ship, he said, could lose the work boats lashed to the deck and a good bit of other gear, including the helicopter perched high on its landing pad.

Papete seemed very hot — in the 80s and low 90s. And the tropical sun burned the skins even of the Calypso crew, toughened as they were by exposure to the elements. Some went into town, but there was surprisingly little interest in night life among these men who have been at sea so long.

They were devoted to the ship, to getting it into shape, taking inventory, ordering supplies. The divers checked and stored their gear. The scientists packed the samples gathered over several months.

On one of the last evenings, the cook prepared a buffet dinner, and it turned into a little party, with Cousteau and Madame playing hosts to the crew. Some of the men wandered out and ate on the afterdeck, watching the sun set over the mountains on the nearby island of Moorea.

Excerpted from a series of three articles.

## PEOPLE

## Reagan Joins in Spoofs At Gridiron Club Dinner

After three hours of spoofs about the Iran-contra affair, President Ronald Reagan got his turn at the Gridiron Club's white-tie dinner. "With the Iran thing occupying everyone's attention, I was thinking: Do you remember the flap when I said, 'We begin bombing in five minutes'? Remember when I fell asleep during my audience with the pope? Remember Bitburg? Boy, those were the good old days." The confession took place in the satirical setting of the annual Gridiron dinner Saturday. The president and Nancy Reagan were reportedly good sports about lampoons of the president's memory (or lack thereof), the first lady's backstage power plays, the activities of former White House aides John Poindexter, Oliver North and Donald Regan, and Swiss bank accounts. "Nancy and I don't at one point tried to patch things up. They met privately over lunch. Just the two of them and their food tasters," the president also quipped.

A vast collection of scores, letters, recordings and memorabilia of Arturo Toscanini, valued at about \$2 million, has been acquired by the New York Public Library. Most of the material in the collection is expected to be made available to researchers within months. Separately, Wendy Toscanini Horowitz, the conductor's daughter, is giving the library 38 letters written to her parents by the composer Giacomo Puccini.

Resolving a six-year old dispute with the Louvre, the Cleveland Museum of Art announced yesterday that it had agreed to lend a painting by Nicolas Poussin to the Louvre for periodic exhibitions over the next 25 years. The first will be May 1, 1987, to April 30, 1990. The agreement with the French Ministry of Culture also ended proceedings that were pending against Sherman E. Lee, former director of the Cleveland Museum. The case involved Lee's purchase of the painting, "Holy Family on the Steps," in 1981, despite its having been found to be a forgery. Lee, a Cleveland resident, had been sued by the Louvre. The Louvre's director, Jean-Louis Martin, said the museum was pleased with the agreement. The Louvre's director, Jean-Louis Martin, said the museum was pleased with the agreement.

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## REAL ESTATE FOR SALE

## CARIBBEAN

STUDIO CONDO on tropical sunny Grand Cayman Island. In use and crystal water. 6307 Hummer Rd. Hummer Rd. 43811 USA.

## FRENCH PROVINCES

CANNES: Beautiful Prestigious property in best residential area of Cannes overlooking the sea and surrounding parks. Very sunny. Perfectly kept yet only mins from the Croisette and the commercial center. Living space 300 sqm, garden 5,000 sqm. \$2,500,000. Free full details, contact owner at Tel: 93.29.29.02 or telex France 470703.

## REAL ESTATE FOR SALE

## FRENCH PROVINCES

CAP D'ANTIBES: MEDITERRANEAN SEA FRONT Magnificent 4 ha estate located 300m from Hotel du Cap, beautifully landscaped and modern, well-planned property with triple controlled security system. This new modern villa is totally furnished and decorated by top interior designer. Call (04) 93 22 80 80.

NEAR LUXEMBOURG GARDEN: Modern building, large living, 4 bedrooms, 3 bathrooms, elevator, garage, pool, tennis, etc. Call (04) 22 80 80.

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